

Price fluctuation of Brent futures and the impact on stock prices of oil companies in Malaysia.

ABSTRACT

This study aims to investigate the impact of crude oil market price fluctuations on public listed oil companies in Malaysia. Individual stocks of oil producers and refineries were selected instead of stock market indexes. This study employed autoregressive distributed lag bounds test approach with weekly data spanning from January 2011 until June 2022. The study found statistical evidence of a cointegration relationship between Brent Futures with stock prices of PETRONAS Chemical, PETRONAS Gas, Hibiscus Petroleum, and Petron Malaysia indicating potential co-movement towards long-run equilibrium. On top of that, substantial statistical evidence of causal impact is also found from Brent Futures to the stock prices of oil companies implying the significant role of Brent futures in influencing the stock prices behaviour of oil companies in Malaysia. The empirical results of this study will be able to assist the fund managers of these companies or retail investors in making investment decisions and hedging strategies.