

Effect of Oil Prices on Stock Markets in India

Abstract

This study examines the dynamic linkages between crude oil price shocks and stock market returns in the case of India(an Emerging market economy). The vector autoregression (VAR) analysis is carried on monthly data for the period spanned from April, 2000 to March, 2013. This study utilized the impulse response analysis in favor of the more traditional orthogonalized approach. Inconsistent with prior research on developed economies, the findings imply that oil shocks have no significant impact on stock index returns in India. The results also suggest that stock market returns in India significantly affect crude oil market.

Keywords: Oil Prices, VAR model, Impulse Response Function