



# Oil Prices and Sectoral Stock Prices with Mining Sector Stock Prices in the Exporting Countries as well as Oil Importers

Handri<sup>1</sup>, Nury Effendi<sup>2</sup>, Budiono<sup>3</sup>

<sup>1</sup> Bandung Islamic University, Indonesia

<sup>2</sup> Padjadjaran University, Indonesia

<sup>3</sup> Padjadjaran University, Indonesia

## Abstract

This paper uses the panel vector autoregressive (PVAR) to find out the dynamic relationship between oil prices, inflation, exchange rates, industrial production and the stock prices of 18 mining sector companies in Indonesia. The data covers the period of January, 2009 to December, 2016. In the long run, oil price fluctuations do not coincide with sector stock prices. In the short term, oil prices are not directly related to the stock prices of the mining sector. The price of oil is co-integrated with the exchange rate and the consumer price index, while in the short term the price of oil is reciprocal with the exchange rate, while the value is reciprocally related to the consumer price index. Heterogeneous coefficient relations show the exchange rate to be a central point for the relationship of oil prices and the consumer price index in influencing the share price of the mining sector. This finding becomes an important consideration for investors to calculate exchange rate fluctuations in developing their investment.

**Keywords:** Oil Prices, Industrial Production, PVAR



# Oil Prices and Sectoral Stock Prices with Mining Sector Stock Prices in the Exporting Countries as well as Oil Importers

Handri<sup>1</sup>, Nury Effendi<sup>2</sup>, Budiono<sup>3</sup>

<sup>1</sup> Bandung Islamic University, Indonesia

<sup>2</sup> Padjadjaran University, Indonesia

<sup>3</sup> Padjadjaran University, Indonesia

## Abstract

This paper uses the panel vector autoregressive (PVAR) to find out the dynamic relationship between oil prices, inflation, exchange rates, industrial production and the stock prices of 18 mining sector companies in Indonesia. The data covers the period of January, 2009 to December, 2016. In the long run, oil price fluctuations do not coincide with sector stock prices. In the short term, oil prices are not directly related to the stock prices of the mining sector. The price of oil is co-integrated with the exchange rate and the consumer price index, while in the short term the price of oil is reciprocal with the exchange rate, while the value is reciprocally related to the consumer price index. Heterogeneous coefficient relations show the exchange rate to be a central point for the relationship of oil prices and the consumer price index in influencing the share price of the mining sector. This finding becomes an important consideration for investors to calculate exchange rate fluctuations in developing their investment.

**Keywords:** Oil Prices, Industrial Production, PVAR