

1. Record Nr.	UNINA9910818879503321
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Titolo	Crude Oil Prices : : Trends and Forecast / / Nouredine Krichene
Pubbl/distr/stampa	Washington, D.C. : , : International Monetary Fund, , 2008
ISBN	1-4623-9010-2 1-4519-9637-3 1-282-84085-1 1-4518-6992-4 9786612840852
Edizione	[1st ed.]
Descrizione fisica	1 online resource (25 pages) : illustrations
Collana	IMF Working Papers IMF working paper ; ; WP/08/133
Disciplina	338.232820112
Soggetti	Petroleum products - Prices - Forecasting Investments: Energy Inflation Macroeconomics Energy: Demand and Supply Prices Price Level Deflation Energy: General Commodity Markets Investment & securities Oil prices Asset prices Oil Commodity prices Petroleum industry and trade United States
Lingua di pubblicazione	Inglese
Formato	Materiale a stampa
Livello bibliografico	Monografia
Note generali	Bibliographic Level Mode of Issuance: Monograph
Nota di bibliografia	Includes bibliographical references.

Nota di contenuto

Intro -- Contents -- I. Introduction -- II. Recent Evolution of Oil Prices -- III. Modeling Oil Prices as Levy Process -- IV. Oil Price Process as Normal Inverse Gaussian Process -- V. Estimation of Oil Price Process as a Normal Inverse Gaussian Process -- VI. Market Incompleteness and Esscher Transform -- VII. Density Forecast of Crude Oil Prices: The Inverse Problem -- VIII. Conclusions -- Tables -- 1. Descriptive Statistics for Oil Price Returns -- 2. Oil Price as Normal Inverse Distribution, Parameterization -- 3. Oil Price as Normal Inverse Distribution, Parameterization -- Figures -- 1. Oil Daily Futures Prices, January 2000-October 2007 -- 2a. Empirical Distribution of Oil Price Returns 2000M1-2003M4 -- 2b. Empirical Distribution of Oil Price Returns, 2003M5-2007M10 -- 3. Oil Price Returns GARCH(1.1) Volatility, January 2000-October 2007 -- References.

Sommario/riassunto

Following record low interest rates and fast depreciating U.S. dollar, crude oil prices became under rising pressure and seemed boundless. Oil price process parameters changed drastically in 2003M5-2007M10 toward consistently rising prices. Short-term forecasting would imply persistence of observed trends, as market fundamentals and underlying monetary policies were supportive of these trends. Market expectations derived from option prices anticipated further surge in oil prices and allowed significant probability for right tail events. Given explosive trends in other commodities prices, depreciating currencies, and weakening financial conditions, recent trends in oil prices might not persist further without triggering world economic recession, regressive oil supply, as oil producers became wary about inflation. Restoring stable oil markets, through restraining monetary policy, is essential for durable growth and price stability.
