

Manera, Matteo; Giovannini, Massimo; Grasso, Margherita; Lanza, Alessandro

**Working Paper**

## Conditional Correlations in the Returns on Oil Companies Stock Prices and Their Determinants

Nota di Lavoro, No. 71.2004

**Provided in Cooperation with:**

Fondazione Eni Enrico Mattei (FEEM)

*Suggested Citation:* Manera, Matteo; Giovannini, Massimo; Grasso, Margherita; Lanza, Alessandro (2004) : Conditional Correlations in the Returns on Oil Companies Stock Prices and Their Determinants, Nota di Lavoro, No. 71.2004, Fondazione Eni Enrico Mattei (FEEM), Milano

This Version is available at:

<https://hdl.handle.net/10419/117955>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*

**Conditional Correlations  
in the Returns on Oil Companies  
Stock Prices and  
Their Determinants**

Massimo Giovannini, Margherita Grasso,  
Alessandro Lanza and Matteo Manera

NOTA DI LAVORO 71.2004

**APRIL 2004**

IEM – International Energy Markets
------------------------------------

Massimo Giovannini, *Department of Economics, Boston College*  
Margherita Grasso, *Fondazione Eni Enrico Mattei*  
Alessandro Lanza, *Eni S.p.A and Fondazione Eni Enrico Mattei*  
Matteo Manera, *Department of Statistics, University of Milan-Bicocca*  
*and Fondazione Eni Enrico Mattei*

This paper can be downloaded without charge at:

The Fondazione Eni Enrico Mattei Note di Lavoro Series Index:  
<http://www.feem.it/Feem/Pub/Publications/WPapers/default.htm>

Social Science Research Network Electronic Paper Collection:  
<http://ssrn.com/abstract=XXXXXX>

The opinions expressed in this paper do not necessarily reflect the position of  
Fondazione Eni Enrico Mattei

# Conditional Correlations in the Returns on Oil Companies Stock Prices and Their Determinants

## Summary

The identification of the forces that drive stock returns and the dynamics of their associated volatilities is a major concern in empirical economics and finance. This analysis is particularly relevant for determining optimal hedging strategies based on whether shocks to the volatilities of returns of oil companies stock prices, relevant stock market indexes and oil spot and futures prices are high or low, and positively or negatively correlated. This paper investigates the correlations of volatilities in the stock price returns and their determinants for the most important integrated oil companies, namely Bp (BP), Chevron-Texaco (CVX), Eni (ENI), Exxon-Mobil (XOM), Royal Dutch (RD) and Total-Fina Elf (TFE). We measure the actual co-risk in stock returns and their determinants “within” and “between” the different oil companies, using multivariate cointegration techniques in modelling the conditional mean, as well as multivariate GARCH models for the conditional variances. We focus first on the determinants of the market value of each company using the cointegrated VAR/VECM methodology. Then we specify the conditional variances of VECM residuals with the Constant Conditional Correlation (CCC) multivariate GARCH model of Bollerslev (1990) and the Dynamic Conditional Correlation (DCC) multivariate GARCH model of Engle (2002). The “within” and “between” DCC indicate low to high/extreme interdependence between the volatilities of companies’ stock returns and the relevant stock market indexes or Brent oil prices.

**Keywords:** Constant conditional correlations, Dynamic conditional correlations, Multivariate GARCH models, Stock price indexes, Brent oil prices, Spot and futures prices, Multivariate cointegration, VECM

**JEL Classification:** C32, G10, Q40

*The authors wish to thank Damiano Brigo, Felix Chan, Umberto Cherubini, Marzio Galeotti, Toshiki Honda, Michael McAleer, Ryozi Miura and Kazuhiko Ohashi for insightful discussions, and seminar participants at the Fondazione Eni Enrico Mattei and at the University of Milan-Bicocca for useful comments and suggestions.*

*Address for correspondence:*

Matteo Manera  
Department of Statistics  
University of Milan-Bicocca  
Via Bicocca degli Arcimboldi, 8  
20126 Milan  
Italy  
Phone: +39 02 64487319  
Fax: +39 02 6473312  
E-mail: [matteo.manera@unimib.it](mailto:matteo.manera@unimib.it)

## 1. Introduction

The identification of the forces that drive stock returns and the dynamics of their associated volatilities is a major concern in empirical economics and finance. The assessment of the volatility of stock price returns and their determinants is particularly important in the Oil & Gas sector (O&G), since O&G is one of the largest industries in the world, involving different companies and business in the different chains of production, distillation and distribution.

This paper extends the study of Lanza et al. (2004) and investigates the correlations of volatilities in the stock price returns and their determinants for the most important integrated oil companies, a broad class which ideally include the super majors, regional companies (US, Europe) and national companies. This analysis is particularly relevant for determining optimal hedging strategies based on whether shocks to the volatilities of returns of oil companies stock prices, relevant stock market indexes and oil spot and futures prices are high or low, and positively or negatively correlated.

We measure the actual co-risk in stock returns and their determinants within and across different oil companies, using multivariate cointegration techniques in modelling the conditional mean, as well as multivariate GARCH models for the conditional variance of the errors in the system of conditional means.

We analyze time series data on stock prices of several oil companies of different dimensions and from different countries, together with relevant stock market indexes, exchange rates and crude oil prices. We first focus on the determinants of the market value of each company using the cointegrated VAR/VECM methodology of Johansen and Juselius (1990). Then we specify the conditional variances of VECM residuals with the Constant Conditional Correlation (CCC) multivariate GARCH model of Bollerslev (1990) and the Dynamic Conditional Correlation (DCC) multivariate GARCH model of Engle (2002).

The paper is organized as follows. Section 2 contains a brief review of the relevant literature. The data set is discussed in Section 3. Section 4 is dedicated to modelling the determinants of the stock price returns of different oil companies, as well as their

associated volatilities. In Section 5 the main empirical results are presented and discussed. Section 6 concludes.

## **2. Previous work**

Several studies on stock exposures and their determinants are available in the literature. A tentative classification can be based on the types of risk factors and industries which are analyzed. It is possible to identify three broad groups of contributions. The first strand of literature evaluates the risk exposure to exhaustible resources prices for gold mining firms and oil companies. A second group of papers investigates the returns of financial institutions in relation with interest rate changes. The last group of studies considers the sensitivity of multinational corporations stocks to exchange rate risk.

Blose and Shieh (1995) examine the impact of gold price changes on the returns of gold mining stock. The authors derive a model where the gold price elasticity is related to the level of gold prices, the quantity of reserves, the cost of production and the amount of nongold activities, and the gold price sensitivity of a mining stock is greater than one. This hypothesis is not rejected using monthly data over the period 1981-1990 for a sample of commonly traded companies.

Tufano (1998) studies gold price exposures of North American gold mining firms and their determinants. Data from January 1990 to March 1994 show that gold mining stocks respond more than proportionally to gold price changes, and the exposures vary considerably over time and across firms.

Strong (1991) analyses the ability of oil equities portfolios to hedge oil price risk. In addition to the estimation of exposure coefficients of oil companies, the author constructs portfolios aimed at maximizing sensitivity to oil price changes and at diversifying away other risk. Using monthly data over the period 1975-1987, the oil price sensitivity of firms returns appears to be low or not significant, and on average the percentage of oil price changes offset by the returns of the hedge portfolio is only about one-third.

Flannery and James (1984) analyse the effect of interest rate changes on common stock returns of financial institutions. Using a sample of commercial banks and stock savings and loan associations from January 1976 to November 1980, common stock

returns are found to be correlated with interest rate changes. Cross-sectional differences in the results arise from differences in the maturity composition of nominal assets: the longer the maturity of bank's nominal assets, the larger the interest rate sensibility.

Elyasani and Mansur (1998) analyse the sensitivity of banks stock returns to changes in interest rate. A GARCH-M specification is employed to investigate whether volatility is a significant factor in determining risk premia; the GARCH-M specification is extended to include the interest rate volatility effect on bank stock volatility and risk premia and to allow for shifts in the stochastic process due to changes in monetary policy regimes. This model seems to be statistically adequate on monthly data for the period 1970-1992. In particular, the degree of persistence in shocks and the effect of interest rate volatility are substantial and depend on the nature of bank portfolio and on the prevailing monetary policy regime.

Jorion (1990) estimates exchange rate exposure of US multinationals over the period from January 1971 to December 1987. Statistical tests are performed to determine whether the exposure coefficients differ across firms. The hypothesis of equal coefficients is strongly rejected for multinationals, but not for domestic firms without foreign operations. The determinant of exchange rate exposure are therefore analysed and a direct relation between exchange rate sensitivity and the percentage of foreign operations is assessed.

Bartov et al. (1996) consider two five-year periods around the 1973 switch from fixed to floating exchange-rates to examine the relation between exchange rate variability and stock returns volatility. A significant generalised increase in the volatility of equity returns during the second period is found. Moreover, this increase is significantly larger for US multinationals than for other US firms, and only multinationals show a significant increase in market risk corresponding to the increase in exchange rate volatility.

He and Ng (1998) examine the effect of exchange rate fluctuations on stock's returns and the determining factors for Japanese multinationals. About 25 percent of the considered multinationals show positive exposure over the period from January 1979 to December 1993. The level of export ratio as well as variables that are proxies of the firm's hedging policies are found to affect exchange rate sensitivity. Exposure coefficients are smaller for firms with low liquidity or high financial leverage, and for

small Japanese multinationals. Moreover, evidence is provided that industrial grouping is likely to affect hedging needs and exchange rate exposure of firms.

In summary, all the surveyed studies refer to US, except Strong (1991), who considers the world's major oil companies, and He and Ng (1998), who concentrate on Japanese multinational firms. From a methodological viewpoint, all authors estimate the exposure coefficients (betas) and analyse the estimated betas against their determinants. Elyasiani and Mansur (1998) extend this approach by relating bank stock returns to their conditional variance, while Strong (1991) uses the estimated betas as a first step for constructing portfolios aimed at hedging oil price risk.

### **3. Data Description**

We investigate companies from several countries and with different business volumes and targeted markets (global or regional), namely: Bp (BP, UK), Chevron-Texaco (CVX, US), Eni (ENI, Italy), Exxon-Mobil (XOM, US), Royal Dutch (RD, The Netherlands), and Total-Fina-Elf (TFE, France). The stock price series (STOCK) for each company is the closing price quoted in the stock market of the company's country of origin.<sup>1</sup> For the six selected oil companies the relevant stock indexes (INDEX) are: FTSE (UK), Dow Jones (DJ, US), MIB30 (Italy), AEX (The Netherlands) and CAC40 (France).

Moreover, given the presence of companies from UK and countries belonging to the European Monetary Union, we consider the closing quotations of the exchange rates (ER) of the US dollar (USD) against the Euro (EUR) and British pound (GBP).<sup>2</sup>

The selected crude oil prices are dated Brent for the spot series and futures Brent prices with twelve-month maturities.<sup>3</sup>

The sample period ranges from 23 January 1998 to 4 April 2003, and the frequency of observations is weekly. All prices are log-transformed and expressed in

---

<sup>1</sup> For RD the relevant stock market is the Dutch market.

<sup>2</sup> Reuters is the main source for company stock values, market indexes and exchange rates

<sup>3</sup> Spot and futures prices of Brent are from Platt's.

local currencies, with the only exception of crude prices, which are denominated in USD per barrel.

Augmented Dickey-Fuller statistics are used to investigate the time series properties of the data. All variables are integrated of order one, or  $I(1)$ , most of them with intercept but no trend.<sup>4</sup>

#### 4. Modelling Oil Company Stock Returns and Volatility

We consider each company separately and analyze, using a VAR/VECM, the existence of long-run relations and short-run effects among the market value of the company, the difference between twelve-month futures price and spot price on Brent (SPREAD), and the relevant stock market index and exchange rate, the latter being only for non-US companies.

Although individually  $I(1)$ , these series may still form one or more linear combinations which are stationary, or  $I(0)$ . In this case, there are one or more long-run equilibrium relationships among the variables entering the VAR specification, which are said to be cointegrated.

The Maximum Likelihood method proposed by Johansen (1991) tests the presence of cointegration among the variables in the  $m \times 1$  vector  $X_t$  by determining the rank of the long-run matrix,  $\mathbf{P}$ . If  $\text{rank}(\mathbf{P}) = r$ , with  $0 < r < m$ , the matrix  $\mathbf{P}$  can be decomposed as  $\Pi = \mathbf{I}\mathbf{b}'$ , where  $\mathbf{I}$  is a  $m \times r$  matrix of adjustment parameters and  $\mathbf{b}$  is a  $m \times r$  matrix containing the  $r$  cointegrating relations among the variables  $X_t$ . The Johansen approach enables estimation of the  $\mathbf{b}$  parameters, and to test for the number of  $I(0)$  linear combinations among the  $X_t$  variables.

With the number  $r$  of cointegrating relationships determined, the following VECM can be estimated by OLS:

---

<sup>4</sup> Results from Augmented Dickey-Fuller tests, although not reported to save space, are available from the authors upon request.



$$\Delta X_t = \mathbf{m}_0 + \mathbf{m}_1 t + \mathbf{I} ecm_{t-p} + \sum_{p=1}^{P-1} A_p \Delta X_{t-p} + \mathbf{e}_t \quad (1)$$

where  $\mathbf{m}_0$  is a  $m \times 1$  vector of constants,  $t = 1, \dots, n$  is a deterministic trend,  $\mathbf{m}_1$  is a  $m \times 1$  vector of deterministic linear trend coefficients,  $\mathbf{e}_t$  is a  $m \times 1$  error vector, and  $ecm_{t-p} \equiv \hat{\mathbf{b}}' X_{t-p}$  is the  $r \times 1$  vector of long-run equilibria among the  $X_t$  variables.

Testing the significance of the estimated  $\mathbf{I}$  parameters in system (1) determines which variables can be considered as (weakly) exogenous (see Urbain, 1992). Specifically, the dependent variables of equations where the estimates of the  $\mathbf{I}$  are not statistically significant can be treated as exogenous. This enables estimation of a parsimonious conditional VECM formed from the equations of the remaining endogenous variables. Each equation is augmented by the full set of exogenous variables in terms of first-differences.

Next, we look for the presence of ARCH effects in the errors of the conditional VECM equations, using univariate GARCH(1,1) models of the type:

$$h_{it} = \mathbf{w}_i + \mathbf{a}_i \mathbf{e}_{it-1}^2 + \mathbf{b}_i h_{it-1}, \quad (2)$$

where  $i = 1, \dots, m$ , indicates the  $i$ -th equation in the VECM, and  $h_{it}$  is the conditional variance of  $\mathbf{e}_{it}$ , the error term of the  $i$ -th equation. If  $\mathbf{a}_i$  or  $\mathbf{a}_i$  and  $\mathbf{b}_i$  are significant, then ARCH or GARCH effects are present. In order for this test to be meaningful, the necessary and sufficient condition for the existence of the second moments of  $\mathbf{e}_{it}$ , namely  $\mathbf{a}_i + \mathbf{b}_i < 1$ , should be satisfied, since this condition is also sufficient for the Quasi-Maximum Likelihood Estimator (QMLE) to be consistent and asymptotically normal. Jeantheau (1998) showed that the log-moment condition,  $E(\log(\mathbf{a}_i \mathbf{h}_{it}^2 + \mathbf{b}_i)) < 0$ ,  $\mathbf{h}_{it} = \mathbf{e}_{it} / \sqrt{h_{it}}$ , is sufficient for the QMLE to be consistent for GARCH(1,1).

If conditional heteroskedasticity is found at the single-equation level, a system approach to the analysis of non-constant conditional error variances can be used.

The time-varying behaviour of the conditional covariance matrix of the VECM errors,  $\mathbf{e}_t = (\mathbf{e}_{1t}, \dots, \mathbf{e}_{mt})'$ , can be described using a multivariate GARCH model. A general expression for heteroskedastic system error terms is:

$$\mathbf{e}_t = H_t \mathbf{h}_t \quad (3)$$

where  $H_t$  is the square root of a  $m \times m$  symmetric matrix of conditional variances and covariances, and  $\mathbf{h}_t$  is an  $m \times 1$  vector of i.i.d. standardized errors. From expression (3), it follows that  $E(\mathbf{e}_t | \Omega_{t-1}) = 0$  and  $E(\mathbf{e}_t \mathbf{e}_t' | \Omega_{t-1}) = H_t$ , with  $\Omega_{t-1}$  denoting the information set at time  $t-1$ .

A GARCH-type parameterization of the covariance matrix of  $\mathbf{e}_t$  should allow  $H_t$  to depend on lagged shocks  $\mathbf{e}_{t-q}$ ,  $q=1, \dots, Q$ , and on its own past  $H_{t-p}$ ,  $p=1, \dots, P$ . However, in this case the number of parameters to be estimated is too large and conditions for  $H_t$  to be positive definite can be complicated to impose.

A model which drastically solves these problems is the CCC multivariate GARCH model of Bollerslev (1990). In the CCC specification,  $H_t = \text{diag}(h_{1t}^{1/2}, \dots, h_{mt}^{1/2})$  and, setting  $Q=P=1$ , the conditional variance for each return is assumed to follow the univariate GARCH process (2), that is the conditional variance of the  $i$ -th return is assumed to be independent of the conditional variance of the  $j$ -th return,  $i, j = 1, \dots, m$ . In order to calculate the constant conditional correlation matrix  $\Gamma$ , whose typical element is  $r_{ij}$ ,  $i, j = 1, \dots, m$ ,  $m$  univariate GARCH(1,1) models should be estimated with QMLE, the  $m$  standardized residuals  $\hat{\mathbf{h}}_{it}$  calculated, and the  $m$  correlation

coefficients obtained as  $\hat{r}_{ij} = \sum_{t=1}^n \hat{\mathbf{h}}_{it} \hat{\mathbf{h}}_{jt} / n$ ,  $i, j = 1, \dots, m$ .

If  $\mathbf{h}_t$  is not a sequence of i.i.d. random error, the assumption of constant conditional correlation is no longer valid. In order to model the time-varying behaviour of the conditional correlation matrix  $\Gamma_t$ , Engle (2002) introduced the DCC multivariate GARCH:

$$\Gamma_t = (1 - \mathbf{q}_1 - \mathbf{q}_2) \Gamma + \mathbf{q}_1 \mathbf{h}_t \mathbf{h}_t' + \mathbf{q}_2 \Gamma_{t-1}, \quad (4)$$

where  $q_1$  and  $q_2$  are scalar parameters to capture the effects of previous standardized shocks and dynamic conditional correlations on current dynamic conditional correlations, respectively.

## 5. Empirical Results

According to the Johansen cointegration procedure outlined in Section 4, there is one cointegrating relation among the variables STOCK, SPREAD, INDEX and ER for each of the six oil companies under analysis (see Tables 1a-6a).

The estimated adjustment coefficients in the VECM representations are reported in Tables 1b-6b. In all models, the significance of the estimated parameters  $\mathbf{I}$  (that is the coefficients of the variables ECT(-1)) indicates that one or two variables can be considered to be weakly exogenous in the VECM, and that the number of equations can be reduced to form a parsimonious VECM. In particular, the market index seems to be endogenous for those companies (ENI, RD, TFE) whose capitalization is large, compared with the size of the relevant stock market. The spread variable is found to be endogenous for BP, XOM, CVX and RD. Estimates of the loading coefficients which correspond to the exchange rate equations are never significant, confirming the expected exogeneity of ER. The autoregressive structure of the estimated models seems to be statistically adequate, since the null hypothesis of no residual autocorrelation is never rejected by the system LM tests reported on the bottom of Tables 1b-6b.

The univariate estimates of the conditional volatilities in the residuals of each parsimonious VECM system are given in Tables 7a-7f. The three entries for each parameter are their respective estimates, asymptotic t-ratios and Bollerslev-Wooldridge (1992) robust t-ratios. Four companies of six have significant ARCH(1) or GARCH(1,1) effects in the residuals of all equations forming the parsimonious VECM. Oil company CVX has significant GARCH(1,1) effects in the STOCK equation only (Table 7b), whereas oil company BP does not exhibit significant ARCH(1) or GARCH(1,1) effects in either the STOCK or the SPREAD equation. Both second moment and log moment conditions are satisfied, so that the QMLE are consistent and asymptotically normal.

The standardized residuals from each of the estimated univariate GARCH(1,1) models are used to compute the constant conditional correlations reported in Tables 8a-8b.

The CCC presented in Table 8a are calculated on the VECM standardized residuals “within” each company. Four are the companies for which the STOCK and SPREAD variables are endogenous according to the VECM specification, namely BP, CVX, RD and XOM. Shocks to volatilities in the returns of STOCK and SPREAD are significantly correlated for RD and BP only. The variable INDEX is endogenous for oil companies ENI, RD and TFE. In this case, the shocks to volatilities in STOCK and INDEX are significantly correlated for all companies. Moreover, the corresponding CCC are the highest, and vary between 0.481 (ENI) and 0.553 (TFE). The only company with three endogenous variables, i.e. STOCK, INDEX and SPREAD, is RD. The CCC in the shocks to the volatilities of SPREAD and INDEX for RD is low and statistically insignificant.

Table 8b reports the constant conditional correlations “between” the volatilities of the STOCK equations of different companies. These correlations are the highest for the pairs BP-RD, BP-TFE and CVX-XOM, being 0.744, 0.680 and 0.632 respectively, whereas the CCC are the lowest for companies TFE-XOM, ENI-XOM and ENI-CVX, (i.e. 0.259, 0.262, 0.280 respectively), although they are all statistically significant.

Finally, the DCC-GARCH(1,1) estimates are given in Tables 9a-9b. As the estimates “within” companies are concerned, at least one of the two DCC parameters is statistically significant for four of six companies, which makes it clear that the assumption of CCC is not, in general, empirically supported. For oil companies BP and CVX the parameters  $q_1$  and  $q_2$  are not statistically significant, which is not surprising since in both cases the CCC were low (-0.120 and 0.070, respectively) and insignificant. The parameters of the DCC-GARCH(1,1) model applied to the STOCK equation “between” companies show even stronger results against the assumption of constant conditional correlations. In this case,  $q_2$  is always highly significant, while  $q_1$  is insignificant only for three pairs of eight.

The significant DCC for oil companies ENI, RD, TFE and XOM, as well as for the pairs of equations STOCK-SPREAD, STOCK-INDEX and SPREAD-INDEX are plotted against time and presented in Figures 1-4. The DCC with the highest range of

variation are related to the pair STOCK-INDEX. The range of variation of the DCC for ENI is (0.028, 0.912), (0.120, 0.792) for RD, and (0.323, 0.728) for TFE, indicating, within each oil company, low to high/extreme interdependence between the volatilities of the companies' stock returns and the relevant stock market indexes. Figures 5-12 report the plots against time of the "between" DCC for the pairs of companies with the eight highest CCC. Among the eight pairs of companies, the DCC characterized by the larger range of variation are for the pairs BP-ENI (0.187, 0.800), CVX-XOM (0.258, 0.808), ENI-TFE (0.216, 0.840) and RD-TFE (0.337, 9.38). As in the case of the "within" DCC, the wide ranges of variation suggest that the volatilities associated with stock price returns of different oil companies go from low to high/extreme interdependence. These results are particularly relevant for determining optimal hedging strategies based on the sign, size, and temporal variation of the correlation of shocks to the returns of oil companies stock prices, relevant stock market indexes and oil spot and futures prices.

## 6. Conclusion

This paper has investigated the correlations in the stock price returns and their determinants for the most important integrated oil companies, namely Bp (BP), Chevron-Texaco (CVX), Eni (ENI), Exxon-Mobil (XOM), Royal Dutch (RD) and Total-Fina Elf (TFE).

We have measured the actual co-risk in stock returns and their determinants within and between different oil companies, using multivariate cointegration techniques in modelling the conditional mean, as well as multivariate GARCH for the conditional variances in the system of conditional means.

We have analyzed time series data on stock prices of six oil companies of different dimensions and from different countries, together with relevant stock market indexes, exchange rates and crude oil prices. We have focussed on the determinants of the market value of each company using the cointegrated VAR/VECM methodology. Then we have specified the conditional variances of VECM residuals with the Constant Conditional Correlation (CCC) multivariate GARCH model of Bollerslev

(1990) and the Dynamic Conditional Correlation (DCC) multivariate GARCH model of Engle (2002).

The CCC are calculated on pairs of VECM standardized residuals “within” each company. Four are the companies for which the STOCK and SPREAD variables are endogenous according to the VECM specification, namely BP, CVX, RD and XOM. Shocks to volatilities in the returns of STOCK and SPREAD are significantly correlated for RD and BP only. The variable INDEX is endogenous for oil companies ENI, RD and TFE. In this case, the shocks to volatilities in STOCK and INDEX are significantly correlated for all companies. Moreover, the corresponding CCC are the highest.

We have also calculated the constant conditional correlations “between” the STOCK equations of different companies. The correlations of shocks to volatilities in the STOCK equations are the highest for the pairs BP-RD, BP-TFE and CVX-XOM, whereas the CCC are the lowest for companies TFE-XOM, ENI-XOM and ENI-CVX, although they are all statistically significant.

As the estimates “within” companies are concerned, at least one of the two DCC-GARCH(1,1) parameters are statistically significant for four of six companies, which makes it clear that the assumption of CCC is not, in general, empirically supported. The parameters of the DCC-GARCH(1,1) model applied to the STOCK equation “between” companies show even stronger results against the assumption of constant conditional correlations.

The significant DCC for oil companies ENI, RD, TFE and XOM, as well as for the pairs of equations STOCK-SPREAD, STOCK-INDEX and SPREAD-INDEX are plotted against time, indicating, within each oil company, low to high/extreme interdependence between the volatilities of companies’ stock returns and the relevant stock market indexes. We have also reported the plots against time of the “between” DCC for the pairs of companies with the eight highest CCC. As in the case of the “within” DCC, the wide ranges of variation suggest that the volatilities associated with stock price returns of different oil companies go from low to high/extreme interdependence.

## References

- Bartov, E., G. M. Bodnar and A. Kaul (1996), "Exchange rate variability and the riskiness of U.S. multinational firms: evidence from the breakdown of the Bretton Woods system", *Journal of Financial Economics*, **42**, 105-132.
- Blose, L. E. and J. C. P. Shieh (1995), "The impact of oil price on the value of gold mining stock", *Review of Financial Economics*, **4**, 125-139.
- Bollerslev, T. (1990), "Modelling the coherence in short-run nominal exchange rates: a multivariate generalized ARCH approach", *Review of Economics and Statistics*, **72**, 498-505.
- Bollerslev, T. and J.M. Wooldridge (1992), "Quasi-maximum likelihood estimation and inference in dynamic models with time-varying covariances", *Econometric Reviews*, **11**, 143-172.
- Elyasiani, E. and I. Mansur (1998), "Sensitivity of the bank stock returns distribution to changes in the level and volatility of interest rate: a GARCH-M model", *Journal of Banking & Finance*, **22**, 535-563.
- Engle, R.F. (2002), "Dynamic conditional correlation: a new simple class of multivariate GARCH models", *Journal of Business and Economic Statistics*, **20**, 339-350.
- Flannery, M. J. and C. M. James (1984), "The effect of interest rate changes on the common stock returns of financial institutions", *The Journal of Finance*, **39**, 1141-1153.
- Jeantheau, T. (1998), "Strong consistency of estimators for multivariate ARCH models", *Econometric Theory*, **14**, 70-86.
- Johansen, S. and K. Juselius (1990), "The full information maximum likelihood procedure for inference on cointegration", *Oxford Bulletin of Economics and Statistics*, **52**, 169-210.
- Johansen, S. (1991), "Estimation and hypothesis testing of cointegration vectors in gaussian vector autoregressive models", *Econometrica*, **59**, 1551-1580.
- Jorion, P. (1990), "The exchange-rate exposure of U.S. multinationals", *The Journal of Business*, **63**, 331-345.
- He, J. L. K. Ng (1998), "The foreign exchange exposure of Japanese multinational corporations", *The Journal of Finance*, **53**, 733-753.
- Lanza, A., M. Manera, M. Grasso and M. Giovannini (2004), "Long-run models of oil stock prices", *Environmental Modelling and Software*, forthcoming.

- Strong, J. S. (1991), "Using oil share portfolios to hedge oil price risk", *Quarterly Review of Economics and Business*, **31**, 48-63.
- Tufano, P. (1998), "The determinants of stock price exposure: financial engineering and the gold mining industry", *The Journal of Finance*, **53**, 1015-1052.
- Urbain, J-P. (1991), "On weak exogeneity in error correction models", *Oxford Bulletin of Economics and Statistics*, **54**, 187-207.



Table 1a: Unrestricted cointegration rank tests – Oil company BP

N° of coint. vects. Tests	None	At most 1	At most 2	At most 3
Trace	43.042	15.083	6.472	1.319
	47.21	29.68	15.41	3.76
Max-eigenvalue	27.959	8.611	5.153	1.319
	27.07	20.97	14.07	3.76

Note: Each pair of entries is the calculated statistic and the five percent critical value.

Table 1b: VECM estimates and diagnostics – Oil company BP

Equations Variables	STOCK	SPREAD	INDEX	ER
ECT(-1)	-0.115	-0.127	-0.006	-0.004
	-3.168	-3.326	-0.234	-0.387
C	0.0004	-0.0009	-0.001	-0.0003
	0.164	-0.347	-0.699	-0.380
LM autocorrelation test	10.762			
	0.824			

Notes: Each pair of entries is the estimated coefficient of a specific variable in a specific equation, and its asymptotic t-ratios. Entries for the Lagrange Multiplier (LM) autocorrelation test, reported at the bottom of the table, are the calculated value of the system test for residual serial correlation of order 2, and the corresponding p-value. Under the null of no serial correlation, this statistic is distributed as  $\chi^2$  with  $m^2$  degree of freedom (where  $m$  is the number of equations).

Table 2a: Unrestricted cointegration rank tests – Oil company CVX

N° of coint. vects. Tests	None	At most 1	At most 2
Trace	34.114	8.760	3.691
	29.68	15.41	3.76
Max-eigenvalue	25.354	5.069	3.691
	20.97	14.07	3.76

Note: Each pair of entries is the calculated statistic and the five percent critical value.

Table 2b: VECM estimates and diagnostics – Oil company CVX

Equations Variables	STOCK	SPREAD	INDEX
ECT(-1)	-0.105	0.107	0.018
	-3.424	2.698	0.706
$\Delta$ STOCK(-1)	-0.071	-0.286	0.082
	-1.074	-3.354	1.461
$\Delta$ SPREAD(-1)	-0.021	0.055	0.071
	-0.445	0.918	1.792
$\Delta$ INDEX(-1)	0.008	-0.008	-0.103
	0.108	-0.077	-1.524
C	-0.0006	-0.0009	0.0003
	-0.287	-0.352	0.174
LM autocorrelation test	5.558		
	0.783		

Notes: Each pair of entries is the estimated coefficient of a specific variable in a specific equation, and its asymptotic t-ratios. Entries for the Lagrange Multiplier (LM) autocorrelation test, reported at the bottom of the table, are the calculated value of the system test for residual serial correlation of order 2, and the corresponding p-value. Under the null of no serial correlation, this statistic is distributed as  $\chi^2$  with  $m^2$  degree of freedom (where  $m$  is the number of equations).

Table 3a: Unrestricted cointegration rank tests – Oil company ENI

N° of coint. vects. Tests	None	At most 1	At most 2	At most 3
Trace	49.510	20.334	10.188	4.455
	47.21	29.68	15.41	3.76
Max-eigenvalue	29.176	10.146	5.733	4.455
	27.07	20.97	14.07	3.76

Note: Each pair of entries is the calculated statistic and the five percent critical value.

Table 3b: VECM estimates and diagnostics – Oil company ENI

Equations Variables	STOCK	SPREAD	INDEX	ER
ECT(-1)	-0.134	-0.020	-0.118	0.005
	-4.723	-0.614	-4.636	0.459
$\Delta$ STOCK(-1)	-0.157	-0.054	-0.132	0.045
	-2.113	-0.651	-1.981	1.679
$\Delta$ SPREAD(-1)	0.015	0.002	-0.017	0.012
	0.280	0.029	-0.344	0.584
$\Delta$ INDEX(-1)	0.121	-0.167	0.222	-0.027
	1.475	-1.804	3.012	-0.914
$\Delta$ ER(-1)	0.131	0.146	-0.009	-0.016
	0.733	0.726	-0.055	-0.240
C	0.001	-0.001	-0.0005	-5.54E-05
	0.407	-0.333	-0.226	-0.065
LM autocorrelation test	20.280			
	0.208			

Notes: Each pair of entries is the estimated coefficient of a specific variable in a specific equation, and its asymptotic t-ratios. Entries for the Lagrange Multiplier (LM) autocorrelation test, reported at the bottom of the table, are the calculated value of the system test for residual serial correlation of order 2, and the corresponding p-value. Under the null of no serial correlation, this statistic is distributed as  $\chi^2$  with  $m^2$  degree of freedom (where  $m$  is the number of equations).

Table 4a: Unrestricted cointegration rank tests – Oil company RD

N° of coint. vects. Tests	None	At most 1	At most 2	At most 3
Trace	70.819	33.904	13.664	4.975
	62.99	42.44	25.32	12.25
Max-eigenvalue	36.915	20.240	8.690	4.975
	31.46	25.54	18.96	12.25

Note: Each pair of entries is the calculated statistic and the five percent critical value.

Table 4b: VECM estimates and diagnostics – Oil company RD

Equations Variables	STOCK	SPREAD	INDEX	ER
ECT(-1)	-0.090	-0.093	-0.059	-0.016
	-3.436	-3.454	-2.597	-1.864
C	-0.0008	-0.0008	-0.002	-1.58E-05
	-0.0.316	-0.320	-0.789	-0.019
LM autocorrelation test	12.162			
	0.733			

Notes: Each pair of entries is the estimated coefficient of a specific variable in a specific equation, and its asymptotic t-ratios. Entries for the Lagrange Multiplier (LM) autocorrelation test, reported at the bottom of the table, are the calculated value of the system test for residual serial correlation of order 2, and the corresponding p-value. Under the null of no serial correlation, this statistic is distributed as  $\chi^2$  with  $m^2$  degree of freedom (where  $m$  is the number of equations).

Table 5a: Unrestricted cointegration rank tests – Oil company TFE

N° of coint. vects. Tests	None	At most 1	At most 2	At most 3
Trace	60.801 47.21	19.646 29.68	10.026 15.41	3.167 3.76
Max-eigenvalue	41.155 27.07	9.621 20.97	6.859 14.07	3.167 3.76

Note: Each pair of entries is the calculated statistic and the five percent critical value.

Table 5b: VECM estimates and diagnostics – Oil company TFE

Equations Variables	STOCK	SPREAD	INDEX	ER
ECT(-1)	-0.215 -5.254	-0.078 -1.930	-0.098 -3.111	-0.011 -0.854
C	0.001 0.447	-0.0009 -0.343	-0.0002 -0.078	-0.0001 -0.138
LM autocorrelation test	19.476 0.245			

Notes: Each pair of entries is the estimated coefficient of a specific variable in a specific equation, and its asymptotic t-ratios. Entries for the Lagrange Multiplier (LM) autocorrelation test, reported at the bottom of the table, are the calculated value of the system test for residual serial correlation of order 2, and the corresponding p-value. Under the null of no serial correlation, this statistic is distributed as  $\chi^2$  with  $m^2$  degree of freedom (where  $m$  is the number of equations).

Table 6a: Unrestricted cointegration rank tests – Oil company XOM

N° of coint. vects. Tests	None	At most 1	At most 2
Trace	47.635 42.44	20.110 25.32	5.411 12.25
Max-eigenvalue	27.524 25.54	14.700 18.96	5.411 12.25

Note: Each pair of entries is the calculated statistic and the five percent critical value.

Table 6b: VECM estimates and diagnostics – Oil company XOM

Equations Variables	STOCK	SPREAD	INDEX
ECT(-1)	-0.115 -2.793	0.178 3.410	0.025 0.710
$\Delta$ STOCK(-1)	-0.199 -2.719	-0.295 -3.175	-0.050 -0.811
$\Delta$ SPREAD(-1)	0.022 0.467	0.042 0.709	0.073 1.848
$\Delta$ INDEX(-1)	-0.048 -0.534	0.053 0.467	-0.034 -0.458
C	0.0008 0.412	-0.0006 -0.228	0.0003 0.165
LM autocorrelation test	7.245 0.612		

Notes: Each pair of entries is the estimated coefficient of a specific variable in a specific equation, and its asymptotic t-ratios. Entries for the Lagrange Multiplier (LM) autocorrelation test, reported at the bottom of the table, are the calculated value of the system test for residual serial correlation of order 2, and the corresponding p-value. Under the null of no serial correlation, this statistic is distributed as  $\chi^2$  with  $m^2$  degree of freedom (where  $m$  is the number of equations).

Table 7a: Univariate GARCH(1,1) estimates – Oil company BP

Residuals of VECM equations:	$\omega$	$\alpha$	$\beta$	Log-moment	Second moment
STOCK	0.0005	0.066	0.616	-0.389	0.683
	0.804	0.941	1.455		
	0.897	1.093	1.605		
SPREAD	0.0005	0.033	0.693	-0.323	0.726
	0.649	0.663	1.512		
	0.472	0.598	1.144		

Note: The three entries for each parameter are their respective estimates, asymptotic t-ratios and Bollerslev-Wooldridge (1992) robust t-ratios.

Table 7b: Univariate GARCH(1,1) estimates – Oil company CVX

Residuals of VECM equations:	$\omega$	$\alpha$	$\beta$	Log-moment	Second moment
STOCK	4.51E-05	0.052	0.897	-0.054	0.950
	0.914	1.365	10.705		
	1.015	1.524	13.051		
SPREAD	0.001	0.070	0.321	-0.966	0.391
	0.769	1.066	0.385		
	0.963	0.863	0.503		

Note: The three entries for each parameter are their respective estimates, asymptotic t-ratios and Bollerslev-Wooldridge (1992) robust t-ratios.

Table 7c: Univariate GARCH(1,1) estimates – Oil company ENI

Residuals of VECM equations:	$\omega$	$\alpha$	$\beta$	Log-moment	Second moment
STOCK	0.0004	0.113	0.611	-0.343	0.724
	1.705	2.566	3.417		
	0.895	0.917	1.540		
INDEX	0.0005	0.305	0.193	-0.948	0.498
	2.594	3.658	0.861		
	4.017	2.308	1.475		

Note: The three entries for each parameter are their respective estimates, asymptotic t-ratios and Bollerslev-Wooldridge (1992) robust t-ratios.

Table 7d: Univariate GARCH(1,1) estimates – Oil company RD

Residuals of VECM equations:	$\omega$	$\alpha$	$\beta$	Log-moment	Second moment
STOCK	0.0008	0.276	0.241	-0.837	0.517
	2.112	3.524	0.975		
	3.052	1.969	1.158		
SPREAD	0.0005	0.028	0.709	-0.306	0.738
	0.803	0.589	1.964		
	0.426	0.572	1.116		
INDEX	9.64E-05	0.247	0.698	-0.106	0.945
	1.632	3.666	7.281		
	2.009	2.474	7.217		

Note: The three entries for each parameter are their respective estimates, asymptotic t-ratios and Bollerslev-Wooldridge (1992) robust t-ratios.

Table 7e: Univariate GARCH(1,1) estimates – Oil company TFE

Residuals of VECM equations:	$\omega$	$\alpha$	$\beta$	Log-moment	Second moment
STOCK	0.0002	0.064	0.790	-0.162	0.855
	1.167	1.091	5.218		
	0.605	1.153	2.775		
INDEX	0.0001	0.110	0.777	-0.132	0.887
	1.189	2.031	6.140		
	1.317	1.673	5.823		

Note: The three entries for each parameter are their respective estimates, asymptotic t-ratios and Bollerslev-Wooldridge (1992) robust t-ratios.

Table 7f: Univariate GARCH(1,1) estimates – Oil company XOM

Residuals of VECM equations:	$\omega$	$\alpha$	$\beta$	Log-moment	Second moment
STOCK	0.0001	0.055	0.784	-0.181	0.839
	0.915	1.238	4.028		
	1.037	1.085	4.037		
SPREAD	4.71E-05	0.028	0.943	-0.029	0.971
	0.531	1.093	13.487		
	0.602	1.109	15.466		

Note: The three entries for each parameter are their respective estimates, asymptotic t-ratios and Bollerslev-Wooldridge (1992) robust t-ratios.

Table 8a: Constant conditional correlations (CCC) – “within”

Oil companies	Standardized residuals of VECM equations:	CCC
BP	STOCK,SPREAD	-0.120
		-2.054
CVX	STOCK,SPREAD	0.070
		1.206
ENI	STOCK,INDEX	0.481
		10.421
RD	STOCK,SPREAD	-0.143
		-2.351
	STOCK,INDEX	0.508
		11.372
TFE	STOCK,INDEX	-0.046
		-0.727
XOM	STOCK,SPREAD	0.553
		15.619
		0.053
		0.922

Note: The two entries for each CCC are their respective estimates and asymptotic t-ratios.

Table 8b: Constant conditional correlations (CCC) – “between”

Std. res. of VECM eq. STOCK for oil companies	BP	CVX	ENI	RD	TFE	XOM
BP	1.000					
CVX	0.509 11.876	1.000				
ENI	0.464 9.595	0.280 5.435	1.000			
RD	0.744 28.993	0.404 7.718	0.546 16.045	1.000		
TFE	0.680 20.819	0.346 6.464	0.543 15.756	0.732 26.161	1.000	
XOM	0.363 7.565	0.632 19.547	0.262 4.627	0.287 5.567	0.259 5.051	1.000

Note: The two entries for each CCC are their respective estimates and asymptotic t-ratios.

Table 9a: DCC-GARCH(1,1) estimates – “within”

Oil companies	Standardized residuals of VECM equations:	$\theta_1$	$\theta_2$
BP	STOCK, SPREAD	0.010	0.633
		0.217	0.643
CVX	STOCK, SPREAD	0.126	-0.069
		1.584	-0.211
ENI	STOCK, INDEX	0.198	0.106
		2.502	0.430
RD	STOCK, SPREAD	0.006	0.973
		0.491	18.721
	STOCK, INDEX	0.032	0.964
		2.620	57.423
	SPREAD, INDEX	0.033	0.758
		0.575	3.128
TFE	STOCK, INDEX	0.054	0.841
		0.695	2.314
XOM	STOCK, SPREAD	-0.008	0.976
		-1.247	49.480

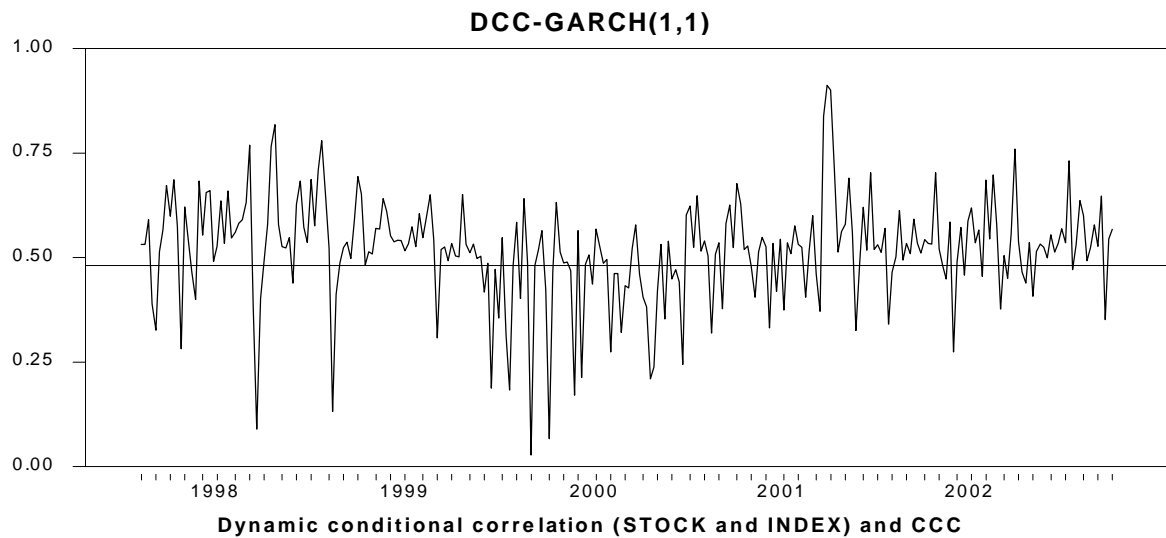
Notes: The model is  $\Gamma_t = (1 - q_1 - q_2)\Gamma + q_1 h_{t-1} h'_{t-1} + q_2 \Gamma_{t-1}$ . The two entries for each parameter are their respective estimates and asymptotic t-ratios.

Table 9b: DCC-GARCH(1,1) estimates – “between”

Std. res. of VECM eq. STOCK for oil companies	$\theta_1$	$\theta_2$
BP, CVX	0.066	0.586
	1.215	2.455
BP, ENI	0.046	0.931
	2.131	27.340
BP, RD	0.032	0.963
	2.444	47.977
BP, TFE	0.028	0.951
	1.406	27.021
CVX, XOM	-0.026	0.993
	-7.757	139.836
ENI, RD	0.028	0.946
	1.751	31.084
ENI, TFE	0.042	0.948
	2.965	49.447
RD, TFE	0.065	0.925
	2.827	33.890

Notes: The model is  $\Gamma_t = (1 - q_1 - q_2)\Gamma + q_1 h_{t-1} h'_{t-1} + q_2 \Gamma_{t-1}$ . The two entries for each parameter are their respective estimates and asymptotic t-ratios.

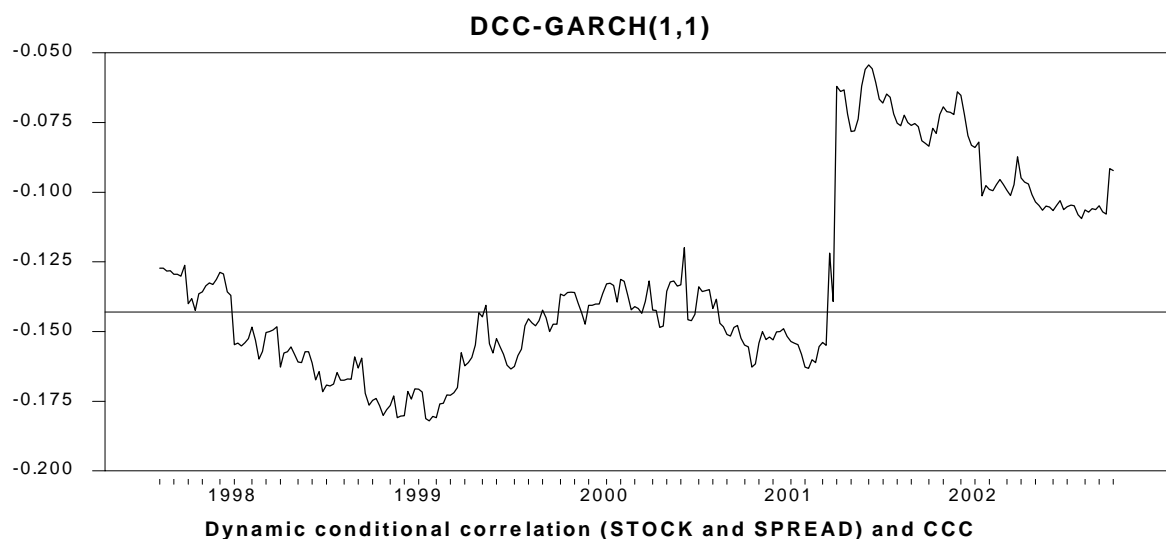
Figure 1: Dynamic conditional correlation between STOCK and INDEX – Oil Company ENI



Descriptive statistics on DCC – Oil company ENI

MEAN	0.519
MINIMUM	0.028
MAXIMUM	0.912
STANDARD DEVIATION	0.124
SKEWNESS	-0.680
EXCESS KURTOSIS	2.628

Figure 2a: Dynamic conditional correlation between STOCK and SPREAD – Oil Company RD

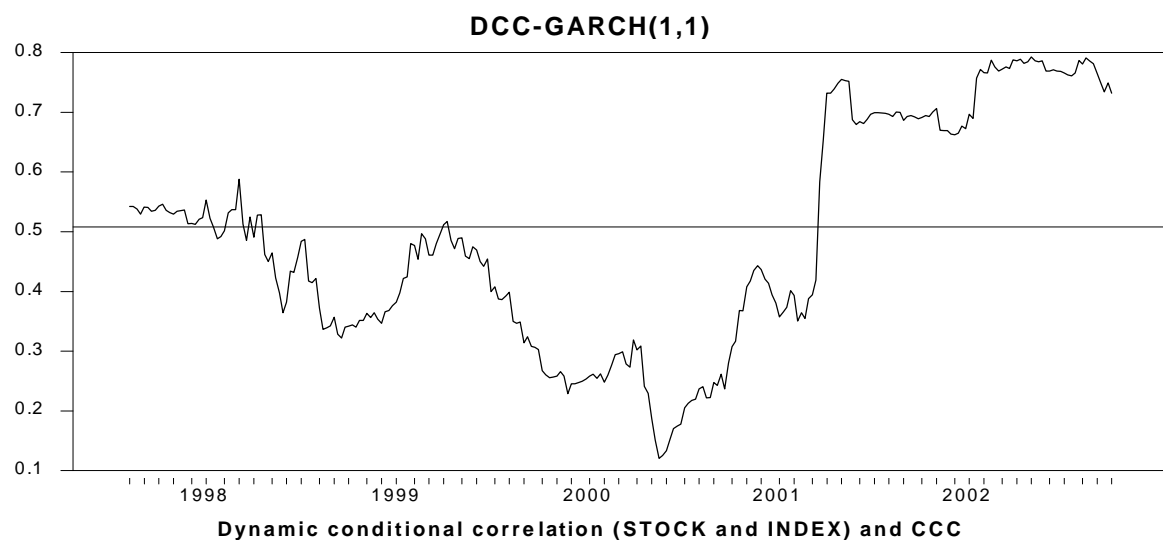


Descriptive statistics on DCC – Oil company RD (STOCK and SPREAD)

MEAN	-0.132
MINIMUM	-0.182
MAXIMUM	-0.054
STANDARD DEVIATION	0.034
SKEWNESS	0.705
EXCESS KURTOSIS	-0.607



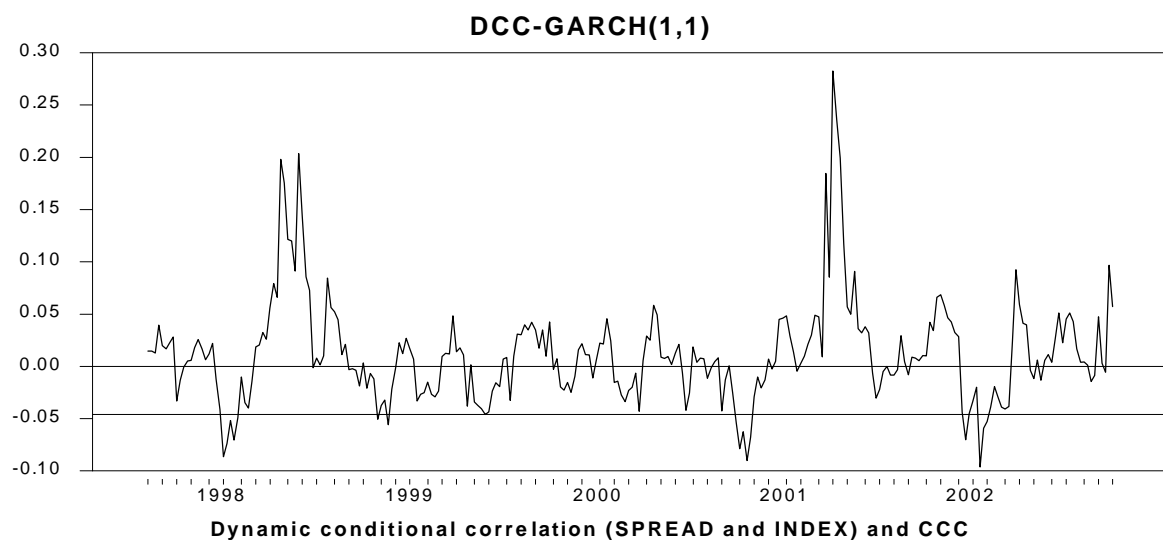
Figure 2b: Dynamic conditional correlation between STOCK and INDEX – Oil Company RD



Descriptive statistics on DCC – Oil company RD (STOCK and INDEX)

MEAN	0.486
MINIMUM	0.120
MAXIMUM	0.792
STANDARD DEVIATION	0.187
SKEWNESS	0.171
EXCESS KURTOSIS	-1.141

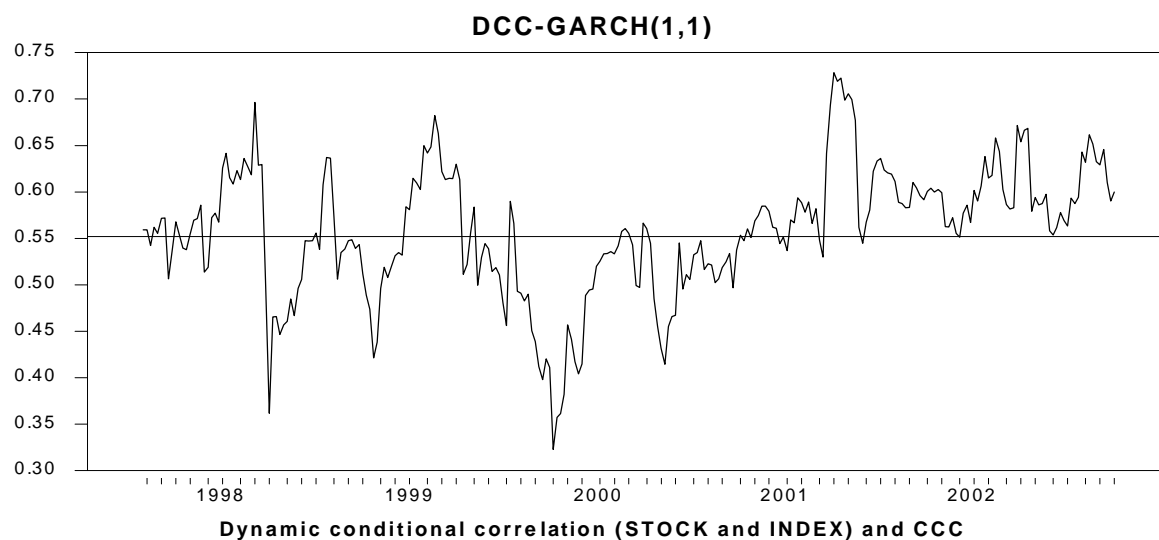
Figure 2c: Dynamic conditional correlation between SPREAD and INDEX – Oil Company RD



Descriptive statistics on DCC – Oil company RD (SPREAD and INDEX)

MEAN	0.012
MINIMUM	-0.096
MAXIMUM	0.282
STANDARD DEVIATION	0.050
SKEWNESS	1.795
EXCESS KURTOSIS	6.374

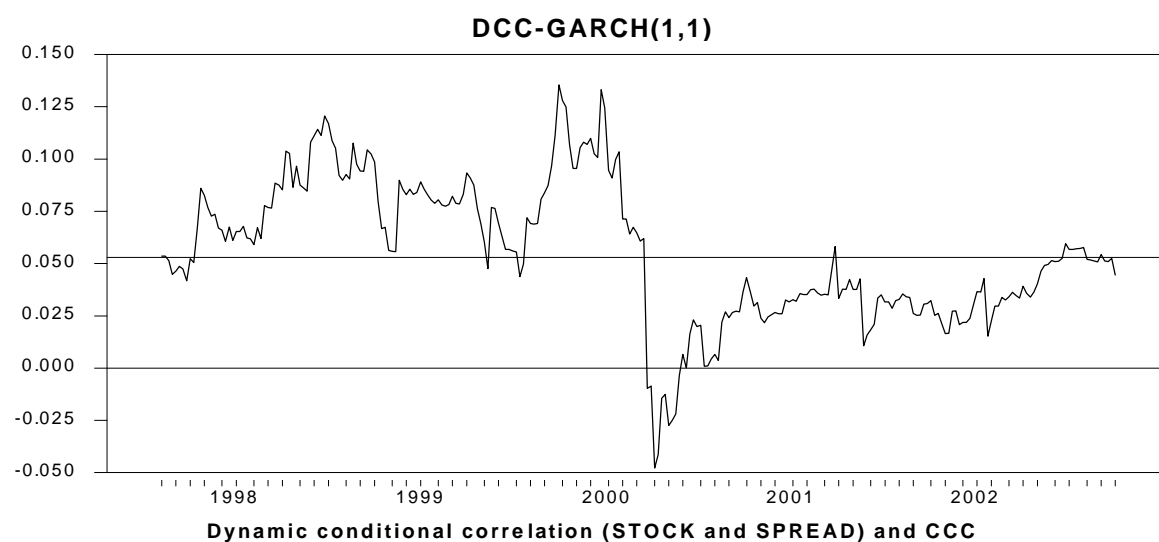
Figure 3: Dynamic conditional correlation between STOCK and INDEX – Oil Company TFE



Descriptive statistics on DCC – Oil company TFE

MEAN	0.557
MINIMUM	0.323
MAXIMUM	0.728
STANDARD DEVIATION	0.069
SKEWNESS	-0.422
EXCESS KURTOSIS	0.600

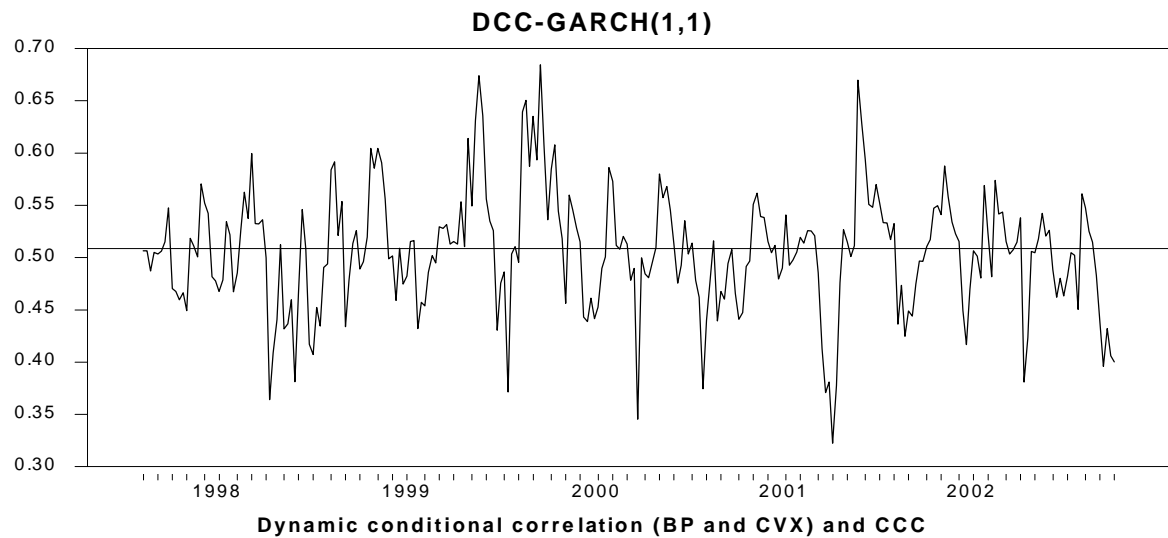
Figure 4: Dynamic conditional correlation between STOCK and SPREAD – Oil Company XOM



Descriptive statistics on DCC – Oil company XOM

MEAN	0.055
MINIMUM	-0.047
MAXIMUM	0.136
STANDARD DEVIATION	0.033
SKEWNESS	-0.063
EXCESS KURTOSIS	-0.096

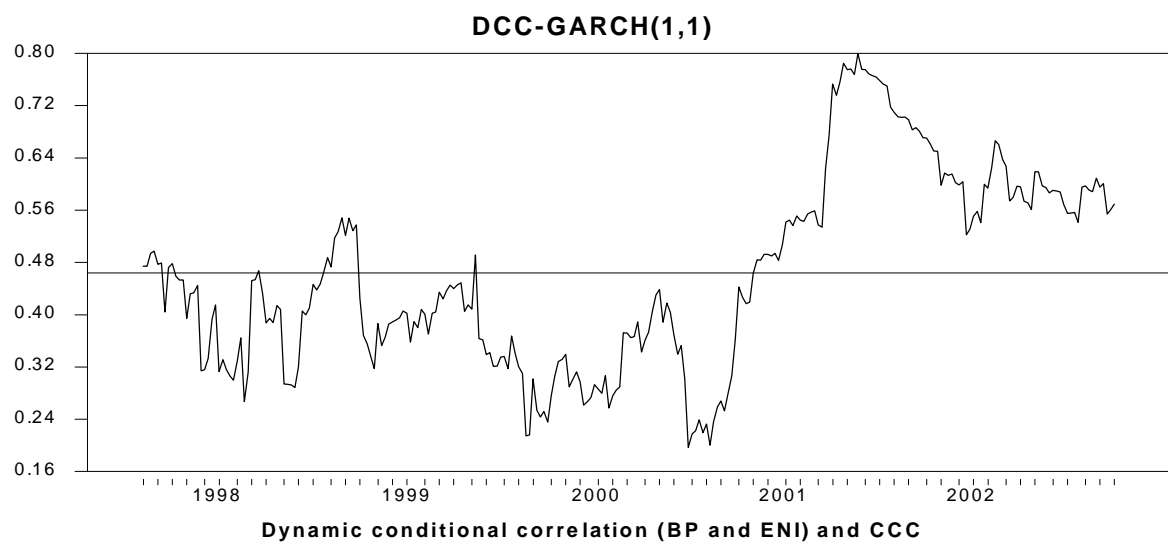
Figure 5: Dynamic conditional correlation between STOCK of oil companies BP and CVX



Descriptive statistics on DCC – Oil companies BP and CVX

MEAN	0.506
MINIMUM	0.323
MAXIMUM	0.684
STANDARD DEVIATION	0.057
SKEWNESS	0.017
EXCESS KURTOSIS	0.954

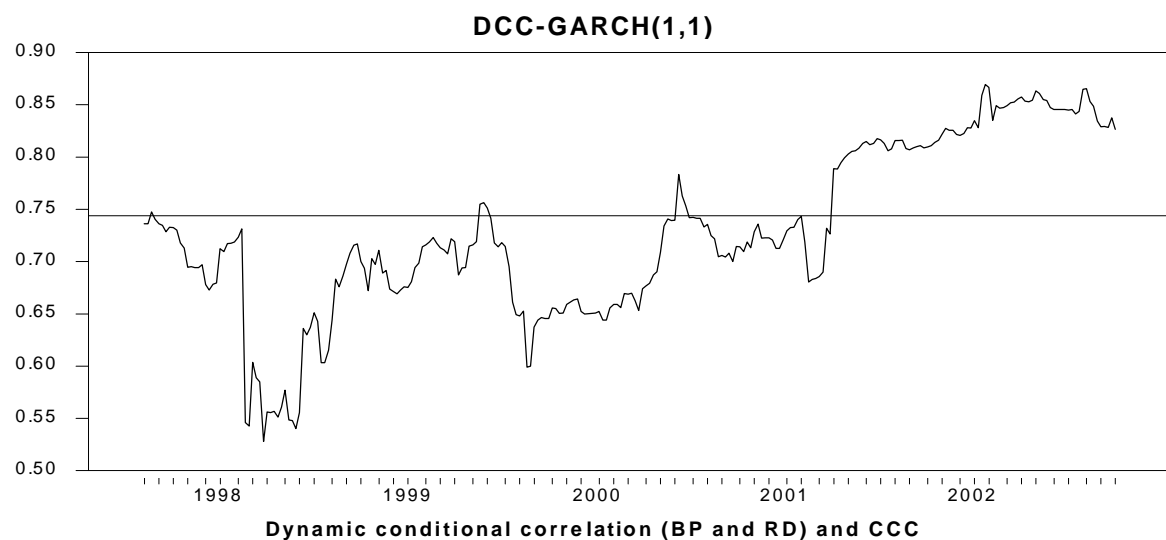
Figure 6: Dynamic conditional correlation between STOCK of oil companies BP and ENI



Descriptive statistics on DCC – Oil companies BP and ENI

MEAN	0.461
MINIMUM	0.187
MAXIMUM	0.800
STANDARD DEVIATION	0.146
SKEWNESS	0.386
EXCESS KURTOSIS	-0.681

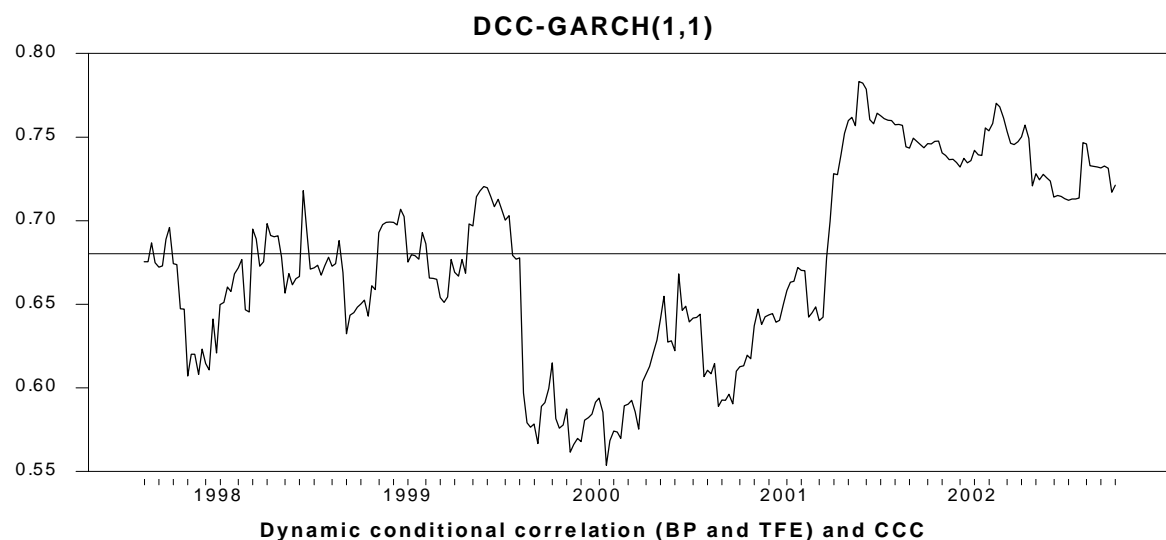
Figure 7: Dynamic conditional correlation between STOCK of oil companies BP and RD



Descriptive statistics on DCC – Oil companies BP and RD

MEAN	0.727
MINIMUM	0.528
MAXIMUM	0.869
STANDARD DEVIATION	0.080
SKEWNESS	-0.080
EXCESS KURTOSIS	-0.511

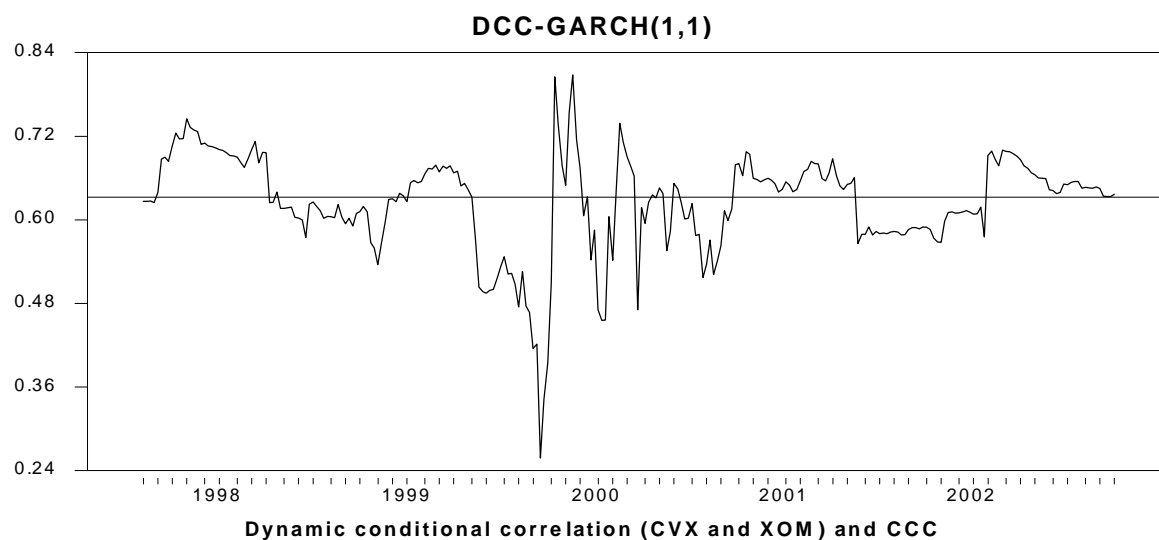
Figure 8: Dynamic conditional correlation between STOCK of oil companies BP and TFE



Descriptive statistics on DCC – Oil companies BP and TFE

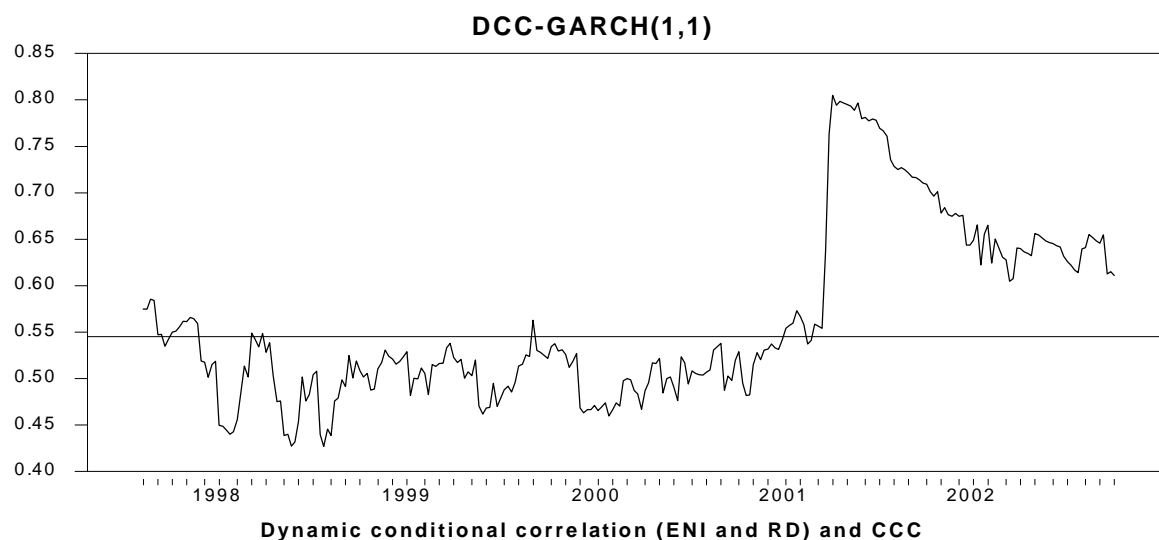
MEAN	0.674
MINIMUM	0.554
MAXIMUM	0.783
STANDARD DEVIATION	0.057
SKEWNESS	-0.135
EXCESS KURTOSIS	-0.937

Figure 9: Dynamic conditional correlation between STOCK of oil companies CVX and XOM



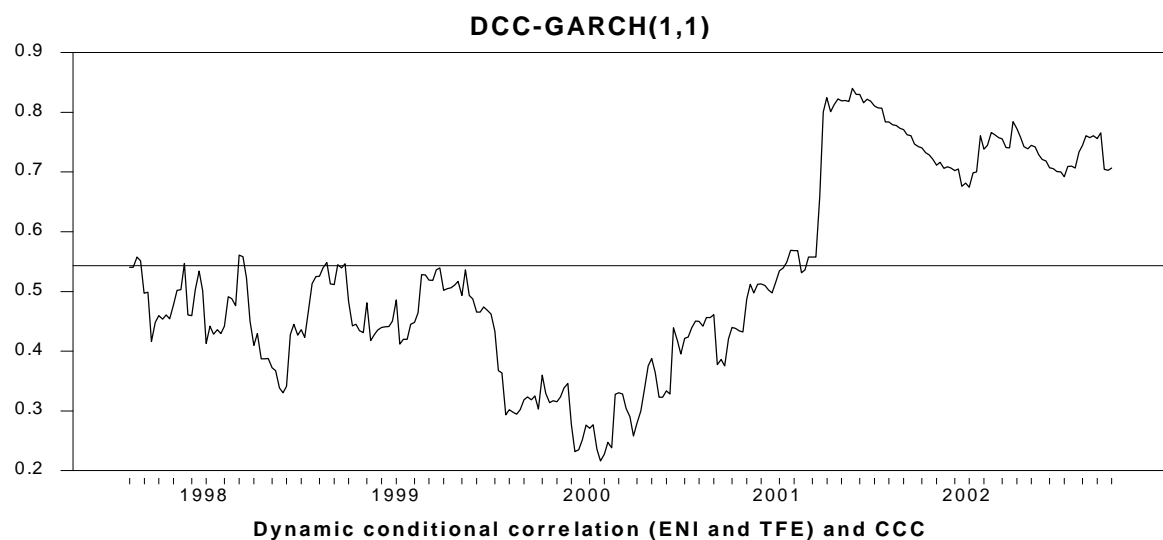
Descriptive statistics on DCC – Oil companies CVX and XOM	
MEAN	0.625
MINIMUM	0.258
MAXIMUM	0.808
STANDARD DEVIATION	0.070
SKEWNESS	-1.243
EXCESS KURTOSIS	3.665

Figure 10: Dynamic conditional correlation between STOCK of oil companies ENI and RD



Descriptive statistics on DCC – Oil companies ENI and RD	
MEAN	0.561
MINIMUM	0.427
MAXIMUM	0.805
STANDARD DEVIATION	0.092
SKEWNESS	1.004
EXCESS KURTOSIS	0.120

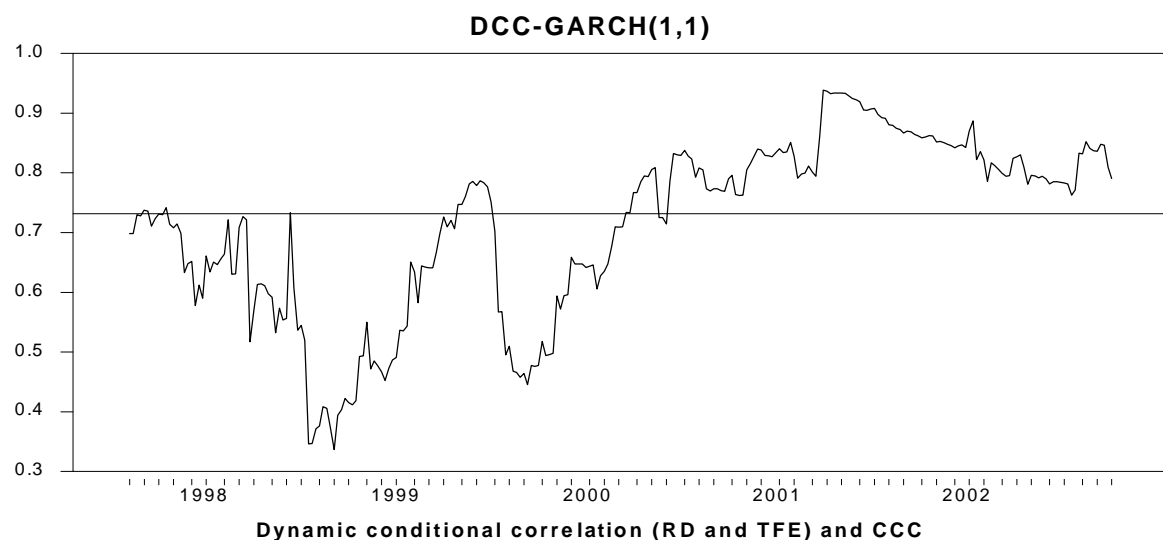
Figure 11: Dynamic conditional correlation between STOCK of oil companies ENI and TFE



Descriptive statistics on DCC – Oil companies ENI and TFE

MEAN	0.526
MINIMUM	0.216
MAXIMUM	0.840
STANDARD DEVIATION	0.167
SKEWNESS	0.282
EXCESS KURTOSIS	-1.030

Figure 12: Dynamic conditional correlation between STOCK of oil companies RD and TFE



Descriptive statistics on DCC – Oil companies RD and TFE

MEAN	0.713
MINIMUM	0.337
MAXIMUM	0.938
STANDARD DEVIATION	0.146
SKEWNESS	-0.686
EXCESS KURTOSIS	-0.447

# NOTE DI LAVORO DELLA FONDAZIONE ENI ENRICO MATTEI

## Fondazione Eni Enrico Mattei Working Paper Series

Our Note di Lavoro are available on the Internet at the following addresses:

<http://www.feem.it/Feem/Pub/Publications/WPapers/default.html>

<http://www.ssrn.com/link/feem.html>

## NOTE DI LAVORO PUBLISHED IN 2003

PRIV	1.2003	<i>Gabriella CHIESA and Giovanna NICODANO: <u>Privatization and Financial Market Development: Theoretical Issues</u></i>
PRIV	2.2003	<i>Ibolya SCHINDELE: <u>Theory of Privatization in Eastern Europe: Literature Review</u></i>
PRIV	3.2003	<i>Wietze LISE, Claudia KEMFERT and Richard S.J. TOL: <u>Strategic Action in the Liberalised German Electricity Market</u></i>
CLIM	4.2003	<i>Laura MARSILIANI and Thomas I. RENSTRÖM: <u>Environmental Policy and Capital Movements: The Role of Government Commitment</u></i>
KNOW	5.2003	<i>Reyer GERLAGH: <u>Induced Technological Change under Technological Competition</u></i>
ETA	6.2003	<i>Efrem CASTELNUOVO: <u>Squeezing the Interest Rate Smoothing Weight with a Hybrid Expectations Model</u></i>
SIEV	7.2003	<i>Anna ALBERINI, Alberto LONGO, Stefania TONIN, Francesco TROMBETTA and Margherita TURVANI: <u>The Role of Liability, Regulation and Economic Incentives in Brownfield Remediation and Redevelopment: Evidence from Surveys of Developers</u></i>
NRM	8.2003	<i>Elissaios PAPYRAKIS and Reyner GERLAGH: <u>Natural Resources: A Blessing or a Curse?</u></i>
CLIM	9.2003	<i>A. CAPARRÓS, J.-C. PEREAU and T. TAZDAÏT: <u>North-South Climate Change Negotiations: a Sequential Game with Asymmetric Information</u></i>
KNOW	10.2003	<i>Giorgio BRUNELLO and Daniele CHECCHI: <u>School Quality and Family Background in Italy</u></i>
CLIM	11.2003	<i>Efrem CASTELNUOVO and Marzio GALEOTTI: <u>Learning By Doing vs Learning By Researching in a Model of Climate Change Policy Analysis</u></i>
KNOW	12.2003	<i>Carole MAIGNAN, Gianmarco OTTAVIANO and Dino PINELLI (eds.): <u>Economic Growth, Innovation, Cultural Diversity: What are we all talking about? A critical survey of the state-of-the-art</u></i>
KNOW	13.2003	<i>Carole MAIGNAN, Gianmarco OTTAVIANO, Dino PINELLI and Francesco RULLANI (lix): <u>Bio-Ecological Diversity vs. Socio-Economic Diversity. A Comparison of Existing Measures</u></i>
KNOW	14.2003	<i>Maddy JANSSENS and Chris STEYAERT (lix): <u>Theories of Diversity within Organisation Studies: Debates and Future Trajectories</u></i>
KNOW	15.2003	<i>Tuzin BAYCAN LEVENT, Enno MASUREL and Peter NIJKAMP (lix): <u>Diversity in Entrepreneurship: Ethnic and Female Roles in Urban Economic Life</u></i>
KNOW	16.2003	<i>Alexandra BITUSIKOVA (lix): <u>Post-Communist City on its Way from Grey to Colourful: The Case Study from Slovakia</u></i>
KNOW	17.2003	<i>Billy E. VAUGHN and Katarina MLEKOV (lix): <u>A Stage Model of Developing an Inclusive Community</u></i>
KNOW	18.2003	<i>Selma van LONDEN and Arie de RUIJTER (lix): <u>Managing Diversity in a Globalizing World</u></i>
Coalition	19.2003	<i>Sergio CURRARINI: <u>On the Stability of Hierarchies in Games with Externalities</u></i>
Theory	20.2003	<i>Giacomo CALZOLARI and Alessandro PAVAN (lx): <u>Monopoly with Resale</u></i>
Network	21.2003	<i>Claudio MEZZETTI (lx): <u>Auction Design with Interdependent Valuations: The Generalized Revelation Principle, Efficiency, Full Surplus Extraction and Information Acquisition</u></i>
PRIV	22.2003	<i>Marco LiCalzi and Alessandro PAVAN (lx): <u>Tilting the Supply Schedule to Enhance Competition in Uniform-Price Auctions</u></i>
PRIV	23.2003	<i>David ETTINGER (lx): <u>Bidding among Friends and Enemies</u></i>
PRIV	24.2003	<i>Hannu VARTIAINEN (lx): <u>Auction Design without Commitment</u></i>
PRIV	25.2003	<i>Matti KELOHARJU, Kjell G. NYBORG and Kristian RYDQVIST (lx): <u>Strategic Behavior and Underpricing in Uniform Price Auctions: Evidence from Finnish Treasury Auctions</u></i>
PRIV	26.2003	<i>Christine A. PARLOUR and Uday RAJAN (lx): <u>Rationing in IPOs</u></i>
PRIV	27.2003	<i>Kjell G. NYBORG and Ilya A. STREBULAIEV (lx): <u>Multiple Unit Auctions and Short Squeezes</u></i>
PRIV	28.2003	<i>Anders LUNANDER and Jan-Eric NILSSON (lx): <u>Taking the Lab to the Field: Experimental Tests of Alternative Mechanisms to Procure Multiple Contracts</u></i>
PRIV	29.2003	<i>TangaMcDANIEL and Karsten NEUHOFF (lx): <u>Use of Long-term Auctions for Network Investment</u></i>
PRIV	30.2003	<i>Emiel MAASLAND and Sander ONDERSTAL (lx): <u>Auctions with Financial Externalities</u></i>
ETA	31.2003	<i>Michael FINUS and Bianca RUNDSHAGEN: <u>A Non-cooperative Foundation of Core-Stability in Positive Externality NTU-Coalition Games</u></i>
KNOW	32.2003	<i>Michele MORETTO: <u>Competition and Irreversible Investments under Uncertainty</u></i>
PRIV	33.2003	<i>Philippe QUIRION: <u>Relative Quotas: Correct Answer to Uncertainty or Case of Regulatory Capture?</u></i>
KNOW	34.2003	<i>Giuseppe MEDA, Claudio PIGA and Donald SIEGEL: <u>On the Relationship between R&amp;D and Productivity: A Treatment Effect Analysis</u></i>
ETA	35.2003	<i>Alessandra DEL BOCA, Marzio GALEOTTI and Paola ROTA: <u>Non-convexities in the Adjustment of Different Capital Inputs: A Firm-level Investigation</u></i>

GG	36.2003	<i>Matthieu GLACHANT</i> : <u>Voluntary Agreements under Endogenous Legislative Threats</u>
PRIV	37.2003	<i>Narjess BOUBAKRI, Jean-Claude COSSET and Omrane GUEDHAMI</i> : <u>Postprivatization Corporate Governance: the Role of Ownership Structure and Investor Protection</u>
CLIM	38.2003	<i>Rolf GOLOMBEK and Michael HOEL</i> : <u>Climate Policy under Technology Spillovers</u>
KNOW	39.2003	<i>Slim BEN YOUSSEF</i> : <u>Transboundary Pollution, R&amp;D Spillovers and International Trade</u>
CTN	40.2003	<i>Carlo CARRARO and Carmen MARCHIORI</i> : <u>Endogenous Strategic Issue Linkage in International Negotiations</u>
KNOW	41.2003	<i>Sonia OREFFICE</i> : <u>Abortion and Female Power in the Household: Evidence from Labor Supply</u>
KNOW	42.2003	<i>Timo GOESCHL and Timothy SWANSON</i> : <u>On Biology and Technology: The Economics of Managing Biotechnologies</u>
ETA	43.2003	<i>Giorgio Busetti and Matteo MANERA</i> : <u>STAR-GARCH Models for Stock Market Interactions in the Pacific Basin Region, Japan and US</u>
CLIM	44.2003	<i>Katrin MILLOCK and Céline NAUGES</i> : <u>The French Tax on Air Pollution: Some Preliminary Results on its Effectiveness</u>
PRIV	45.2003	<i>Bernardo BORTOLOTTI and Paolo PINOTTI</i> : <u>The Political Economy of Privatization</u>
SIEV	46.2003	<i>Elbert DIJKGRAAF and Herman R.J. VOLLEBERGH</i> : <u>Burn or Bury? A Social Cost Comparison of Final Waste Disposal Methods</u>
ETA	47.2003	<i>Jens HORBACH</i> : <u>Employment and Innovations in the Environmental Sector: Determinants and Econometrical Results for Germany</u>
CLIM	48.2003	<i>Lori SNYDER, Nolan MILLER and Robert STAVINS</i> : <u>The Effects of Environmental Regulation on Technology Diffusion: The Case of Chlorine Manufacturing</u>
CLIM	49.2003	<i>Lori SNYDER, Robert STAVINS and Alexander F. WAGNER</i> : <u>Private Options to Use Public Goods. Exploiting Revealed Preferences to Estimate Environmental Benefits</u>
CTN	50.2003	<i>László Á. KÓCZY and Luc LAUWERS (Ixi)</i> : <u>The Minimal Dominant Set is a Non-Empty Core-Extension</u>
CTN	51.2003	<i>Matthew O. JACKSON (Ixi)</i> : <u>Allocation Rules for Network Games</u>
CTN	52.2003	<i>Ana MAULEON and Vincent VANNETELBOSCH (Ixi)</i> : <u>Farsightedness and Cautiousness in Coalition Formation</u>
CTN	53.2003	<i>Fernando VEGA-REDONDO (Ixi)</i> : <u>Building Up Social Capital in a Changing World: a network approach</u>
CTN	54.2003	<i>Matthew HAAG and Roger LAGUNOFF (Ixi)</i> : <u>On the Size and Structure of Group Cooperation</u>
CTN	55.2003	<i>Taiji FURUSAWA and Hideo KONISHI (Ixi)</i> : <u>Free Trade Networks</u>
CTN	56.2003	<i>Halis Murat YILDIZ (Ixi)</i> : <u>National Versus International Mergers and Trade Liberalization</u>
CTN	57.2003	<i>Santiago RUBIO and Alistair ULPH (Ixi)</i> : <u>An Infinite-Horizon Model of Dynamic Membership of International Environmental Agreements</u>
KNOW	58.2003	<i>Carole MAIGNAN, Dino PINELLI and Gianmarco I.P. OTTAVIANO</i> : <u>ICT, Clusters and Regional Cohesion: A Summary of Theoretical and Empirical Research</u>
KNOW	59.2003	<i>Giorgio BELLETTINI and Gianmarco I.P. OTTAVIANO</i> : <u>Special Interests and Technological Change</u>
ETA	60.2003	<i>Ronnie SCHÖB</i> : <u>The Double Dividend Hypothesis of Environmental Taxes: A Survey</u>
CLIM	61.2003	<i>Michael FINUS, Ekko van IERLAND and Robert DELLINK</i> : <u>Stability of Climate Coalitions in a Cartel Formation Game</u>
GG	62.2003	<i>Michael FINUS and Bianca RUNDSHAGEN</i> : <u>How the Rules of Coalition Formation Affect Stability of International Environmental Agreements</u>
SIEV	63.2003	<i>Alberto PETRUCCI</i> : <u>Taxing Land Rent in an Open Economy</u>
CLIM	64.2003	<i>Joseph E. ALDY, Scott BARRETT and Robert N. STAVINS</i> : <u>Thirteen Plus One: A Comparison of Global Climate Policy Architectures</u>
SIEV	65.2003	<i>Edi DEFRANCESCO</i> : <u>The Beginning of Organic Fish Farming in Italy</u>
SIEV	66.2003	<i>Klaus CONRAD</i> : <u>Price Competition and Product Differentiation when Consumers Care for the Environment</u>
SIEV	67.2003	<i>Paulo A.L.D. NUNES, Luca ROSSETTO, Arianne DE BLAEIJ</i> : <u>Monetary Value Assessment of Clam Fishing Management Practices in the Venice Lagoon: Results from a Stated Choice Exercise</u>
CLIM	68.2003	<i>ZhongXiang ZHANG</i> : <u>Open Trade with the U.S. Without Compromising Canada's Ability to Comply with its Kyoto Target</u>
KNOW	69.2003	<i>David FRANTZ (Ixi)</i> : <u>Lorenzo Market between Diversity and Mutation</u>
KNOW	70.2003	<i>Ercole SORI (Ixi)</i> : <u>Mapping Diversity in Social History</u>
KNOW	71.2003	<i>Ljiljana DERU SIMIC (Ixi)</i> : <u>What is Specific about Art/Cultural Projects?</u>
KNOW	72.2003	<i>Natalya V. TARANOVA (Ixi)</i> : <u>The Role of the City in Fostering Intergroup Communication in a Multicultural Environment: Saint-Petersburg's Case</u>
KNOW	73.2003	<i>Kristine CRANE (Ixi)</i> : <u>The City as an Arena for the Expression of Multiple Identities in the Age of Globalisation and Migration</u>
KNOW	74.2003	<i>Kazuma MATOBA (Ixi)</i> : <u>Glocal Dialogue- Transformation through Transcultural Communication</u>
KNOW	75.2003	<i>Catarina REIS OLIVEIRA (Ixi)</i> : <u>Immigrants' Entrepreneurial Opportunities: The Case of the Chinese in Portugal</u>
KNOW	76.2003	<i>Sandra WALLMAN (Ixi)</i> : <u>The Diversity of Diversity - towards a typology of urban systems</u>
KNOW	77.2003	<i>Richard PEARCE (Ixi)</i> : <u>A Biologist's View of Individual Cultural Identity for the Study of Cities</u>
KNOW	78.2003	<i>Vincent MERK (Ixi)</i> : <u>Communication Across Cultures: from Cultural Awareness to Reconciliation of the Dilemmas</u>
KNOW	79.2003	<i>Giorgio BELLETTINI, Carlotta BERTI CERONI and Gianmarco I.P. OTTAVIANO</i> : <u>Child Labor and Resistance to Change</u>
ETA	80.2003	<i>Michele MORETTO, Paolo M. PANTEGHINI and Carlo SCARPA</i> : <u>Investment Size and Firm's Value under Profit Sharing Regulation</u>



ITEM	81.2003	<i>Alessandro LANZA, Matteo MANERA and Massimo GIOVANNINI: <u>Oil and Product Dynamics in International Petroleum Markets</u></i>
CLIM	82.2003	<i>Y. Hossein FARZIN and Jinhua ZHAO: <u>Pollution Abatement Investment When Firms Lobby Against Environmental Regulation</u></i>
CLIM	83.2003	<i>Giuseppe DI VITA: <u>Is the Discount Rate Relevant in Explaining the Environmental Kuznets Curve?</u></i>
CLIM	84.2003	<i>Reyer GERLAGH and Wietze LISE: <u>Induced Technological Change Under Carbon Taxes</u></i>
NRM	85.2003	<i>Rinaldo BRAU, Alessandro LANZA and Francesco PIGLIARU: <u>How Fast are the Tourism Countries Growing? The cross-country evidence</u></i>
KNOW	86.2003	<i>Elena BELLINI, Gianmarco I.P. OTTAVIANO and Dino PINELLI: <u>The ICT Revolution: opportunities and risks for the Mezzogiorno</u></i>
SIEV	87.2003	<i>Lucas BRETSCGHER and Sjak SMULDERS: <u>Sustainability and Substitution of Exhaustible Natural Resources. How resource prices affect long-term R&amp;D investments</u></i>
CLIM	88.2003	<i>Johan EYCKMANS and Michael FINUS: <u>New Roads to International Environmental Agreements: The Case of Global Warming</u></i>
CLIM	89.2003	<i>Marzio GALEOTTI: <u>Economic Development and Environmental Protection</u></i>
CLIM	90.2003	<i>Marzio GALEOTTI: <u>Environment and Economic Growth: Is Technical Change the Key to Decoupling?</u></i>
CLIM	91.2003	<i>Marzio GALEOTTI and Barbara BUCHNER: <u>Climate Policy and Economic Growth in Developing Countries</u></i>
ITEM	92.2003	<i>A. MARKANDYA, A. GOLUB and E. STRUKOVA: <u>The Influence of Climate Change Considerations on Energy Policy: The Case of Russia</u></i>
ETA	93.2003	<i>Andrea BELTRATTI: <u>Socially Responsible Investment in General Equilibrium</u></i>
CTN	94.2003	<i>Parkash CHANDER: <u>The <math>\gamma</math>-Core and Coalition Formation</u></i>
ITEM	95.2003	<i>Matteo MANERA and Angelo MARZULLO: <u>Modelling the Load Curve of Aggregate Electricity Consumption Using Principal Components</u></i>
ITEM	96.2003	<i>Alessandro LANZA, Matteo MANERA, Margherita GRASSO and Massimo GIOVANNINI: <u>Long-run Models of Oil Stock Prices</u></i>
CTN	97.2003	<i>Steven J. BRAMS, Michael A. JONES, and D. Marc KILGOUR: <u>Forming Stable Coalitions: The Process Matters</u></i>
KNOW	98.2003	<i>John CROWLEY, Marie-Cecile NAVES (Ixi): <u>Anti-Racist Policies in France. From Ideological and Historical Schemes to Socio-Political Realities</u></i>
KNOW	99.2003	<i>Richard THOMPSON FORD (Ixi): <u>Cultural Rights and Civic Virtue</u></i>
KNOW	100.2003	<i>Alaknanda PATEL (Ixi): <u>Cultural Diversity and Conflict in Multicultural Cities</u></i>
KNOW	101.2003	<i>David MAY (Ixi): <u>The Struggle of Becoming Established in a Deprived Inner-City Neighbourhood</u></i>
KNOW	102.2003	<i>Sébastien ARCAND, Danielle JUTEAU, Sirma BILGE, and Francine LEMIRE (Ixi) : <u>Municipal Reform on the Island of Montreal: Tensions Between Two Majority Groups in a Multicultural City</u></i>
CLIM	103.2003	<i>Barbara BUCHNER and Carlo CARRARO: <u>China and the Evolution of the Present Climate Regime</u></i>
CLIM	104.2003	<i>Barbara BUCHNER and Carlo CARRARO: <u>Emissions Trading Regimes and Incentives to Participate in International Climate Agreements</u></i>
CLIM	105.2003	<i>Anil MARKANDYA and Dirk T.G. RÜBBELKE: <u>Ancillary Benefits of Climate Policy</u></i>
NRM	106.2003	<i>Anne Sophie CRÉPIN (Ixiv): <u>Management Challenges for Multiple-Species Boreal Forests</u></i>
NRM	107.2003	<i>Anne Sophie CRÉPIN (Ixiv): <u>Threshold Effects in Coral Reef Fisheries</u></i>
SIEV	108.2003	<i>Sara ANIYAR (Ixiv): <u>Estimating the Value of Oil Capital in a Small Open Economy: The Venezuela's Example</u></i>
SIEV	109.2003	<i>Kenneth ARROW, Partha DASGUPTA and Karl-Göran MÄLER(Ixiv): <u>Evaluating Projects and Assessing Sustainable Development in Imperfect Economies</u></i>
NRM	110.2003	<i>Anastasios XEPAPADEAS and Catarina ROSETA-PALMA(Ixiv): <u>Instabilities and Robust Control in Fisheries</u></i>
NRM	111.2003	<i>Charles PERRINGS and Brian WALKER (Ixiv): <u>Conservation and Optimal Use of Rangelands</u></i>
ETA	112.2003	<i>Jack GOODY (Ixiv): <u>Globalisation, Population and Ecology</u></i>
CTN	113.2003	<i>Carlo CARRARO, Carmen MARCHIORI and Sonia OREFFICE: <u>Endogenous Minimum Participation in International Environmental Treaties</u></i>
CTN	114.2003	<i>Guillaume HAERINGER and Myrna WOODERS: <u>Decentralized Job Matching</u></i>
CTN	115.2003	<i>Hideo KONISHI and M. Utku UNVER: <u>Credible Group Stability in Multi-Partner Matching Problems</u></i>
CTN	116.2003	<i>Somdeb LAHIRI: <u>Stable Matchings for the Room-Mates Problem</u></i>
CTN	117.2003	<i>Somdeb LAHIRI: <u>Stable Matchings for a Generalized Marriage Problem</u></i>
CTN	118.2003	<i>Marita LAUKKANEN: <u>Transboundary Fisheries Management under Implementation Uncertainty</u></i>
CTN	119.2003	<i>Edward CARTWRIGHT and Myrna WOODERS: <u>Social Conformity and Bounded Rationality in Arbitrary Games with Incomplete Information: Some First Results</u></i>
CTN	120.2003	<i>Gianluigi VERNASCA: <u>Dynamic Price Competition with Price Adjustment Costs and Product Differentiation</u></i>
CTN	121.2003	<i>Myrna WOODERS, Edward CARTWRIGHT and Reinhard SELTEN: <u>Social Conformity in Games with Many Players</u></i>
CTN	122.2003	<i>Edward CARTWRIGHT and Myrna WOODERS: <u>On Equilibrium in Pure Strategies in Games with Many Players</u></i>
CTN	123.2003	<i>Edward CARTWRIGHT and Myrna WOODERS: <u>Conformity and Bounded Rationality in Games with Many Players</u></i>
1000		<b>Carlo CARRARO, Alessandro LANZA and Valeria PAPPONETTI: <u>One Thousand Working Papers</u></b>

# NOTE DI LAVORO PUBLISHED IN 2004

IEM	1.2004	<i>Anil MARKANDYA, Suzette PEDROSO and Alexander GOLUB: <u>Empirical Analysis of National Income and So2 Emissions in Selected European Countries</u></i>
ETA	2.2004	<i>Masahisa FUJITA and Shlomo WEBER: <u>Strategic Immigration Policies and Welfare in Heterogeneous Countries</u></i>
PRA	3.2004	<i>Adolfo DI CARLUCCIO, Giovanni FERRI, Cecilia FRALE and Ottavio RICCHI: <u>Do Privatizations Boost Household Shareholding? Evidence from Italy</u></i>
ETA	4.2004	<i>Victor GINSBURGH and Shlomo WEBER: <u>Languages Disenfranchisement in the European Union</u></i>
ETA	5.2004	<i>Romano PIRAS: <u>Growth, Congestion of Public Goods, and Second-Best Optimal Policy</u></i>
CCMP	6.2004	<i>Herman R.J. VOLLEBERGH: <u>Lessons from the Polder: Is Dutch CO2-Taxation Optimal</u></i>
PRA	7.2004	<i>Sandro BRUSCO, Giuseppe LOPOMO and S. VISWANATHAN (lxv): <u>Merger Mechanisms</u></i>
PRA	8.2004	<i>Wolfgang AUSENNEGG, Pegaret PICHLER and Alex STOMPER (lxv): <u>IPO Pricing with Bookbuilding, and a When-Issued Market</u></i>
PRA	9.2004	<i>Pegaret PICHLER and Alex STOMPER (lxv): <u>Primary Market Design: Direct Mechanisms and Markets</u></i>
PRA	10.2004	<i>Florian ENGLMAIER, Pablo GUILLEN, Loreto LLORENTE, Sander ONDERSTAL and Rupert SAUSGRUBER (lxv): <u>The Chopstick Auction: A Study of the Exposure Problem in Multi-Unit Auctions</u></i>
PRA	11.2004	<i>Bjarne BRENDSTRUP and Harry J. PAARSCH (lxv): <u>Nonparametric Identification and Estimation of Multi-Unit, Sequential, Oral, Ascending-Price Auctions With Asymmetric Bidders</u></i>
PRA	12.2004	<i>Ohad KADAN (lxv): <u>Equilibrium in the Two Player, k-Double Auction with Affiliated Private Values</u></i>
PRA	13.2004	<i>Maarten C.W. JANSSEN (lxv): <u>Auctions as Coordination Devices</u></i>
PRA	14.2004	<i>Gadi FIBICH, Arie GAVIOUS and Aner SELA (lxv): <u>All-Pay Auctions with Weakly Risk-Averse Buyers</u></i>
PRA	15.2004	<i>Orly SADE, Charles SCHNITZLEIN and Jaime F. ZENDER (lxv): <u>Competition and Cooperation in Divisible Good Auctions: An Experimental Examination</u></i>
PRA	16.2004	<i>Marta STRYSZOWSKA (lxv): <u>Late and Multiple Bidding in Competing Second Price Internet Auctions</u></i>
CCMP	17.2004	<i>Slim Ben YOUSSEF: <u>R&amp;D in Cleaner Technology and International Trade</u></i>
NRM	18.2004	<i>Angelo ANTOCI, Simone BORGHESI and Paolo RUSSU (lxvi): <u>Biodiversity and Economic Growth: Stabilization Versus Preservation of the Ecological Dynamics</u></i>
SIEV	19.2004	<i>Anna ALBERINI, Paolo ROSATO, Alberto LONGO and Valentina ZANATTA: <u>Information and Willingness to Pay in a Contingent Valuation Study: The Value of S. Erasmo in the Lagoon of Venice</u></i>
NRM	20.2004	<i>Guido CANDELA and Roberto CELLINI (lxvii): <u>Investment in Tourism Market: A Dynamic Model of Differentiated Oligopoly</u></i>
NRM	21.2004	<i>Jacqueline M. HAMILTON (lxvii): <u>Climate and the Destination Choice of German Tourists</u></i>
NRM	22.2004	<i>Javier Rey-MAQUIEIRA PALMER, Javier LOZANO IBÁÑEZ and Carlos Mario GÓMEZ GÓMEZ (lxvii): <u>Land, Environmental Externalities and Tourism Development</u></i>
NRM	23.2004	<i>Pius ODUNGA and Henk FOLMER (lxvii): <u>Profiling Tourists for Balanced Utilization of Tourism-Based Resources in Kenya</u></i>
NRM	24.2004	<i>Jean-Jacques NOWAK, Mondher SAHLI and Pasquale M. SGRO (lxvii): <u>Tourism, Trade and Domestic Welfare</u></i>
NRM	25.2004	<i>Riaz SHAREEF (lxvii): <u>Country Risk Ratings of Small Island Tourism Economies</u></i>
NRM	26.2004	<i>Juan Luis EUGENIO-MARTÍN, Noelia MARTÍN MORALES and Riccardo SCARPA (lxvii): <u>Tourism and Economic Growth in Latin American Countries: A Panel Data Approach</u></i>
NRM	27.2004	<i>Raúl Hernández MARTÍN (lxvii): <u>Impact of Tourism Consumption on GDP. The Role of Imports</u></i>
CSRM	28.2004	<i>Nicoletta FERRO: <u>Cross-Country Ethical Dilemmas in Business: A Descriptive Framework</u></i>
NRM	29.2004	<i>Marian WEBER (lxvi): <u>Assessing the Effectiveness of Tradable Landuse Rights for Biodiversity Conservation: an Application to Canada's Boreal Mixedwood Forest</u></i>
NRM	30.2004	<i>Trond BJØRNDAL, Phoebe KOUNDOURI and Sean PASCOE (lxvi): <u>Output Substitution in Multi-Species Trawl Fisheries: Implications for Quota Setting</u></i>
CCMP	31.2004	<i>Marzio GALEOTTI, Alessandra GORIA, Paolo MOMBRINI and Evi SPANTIDAKI: <u>Weather Impacts on Natural, Social and Economic Systems (WISE) Part I: Sectoral Analysis of Climate Impacts in Italy</u></i>
CCMP	32.2004	<i>Marzio GALEOTTI, Alessandra GORIA, Paolo MOMBRINI and Evi SPANTIDAKI: <u>Weather Impacts on Natural, Social and Economic Systems (WISE) Part II: Individual Perception of Climate Extremes in Italy</u></i>
CTN	33.2004	<i>Wilson PEREZ: <u>Divide and Conquer: Noisy Communication in Networks, Power, and Wealth Distribution</u></i>
KTHC	34.2004	<i>Gianmarco I.P. OTTAVIANO and Giovanni PERI (lxviii): <u>The Economic Value of Cultural Diversity: Evidence from US Cities</u></i>
KTHC	35.2004	<i>Linda CHAIB (lxviii): <u>Immigration and Local Urban Participatory Democracy: A Boston-Paris Comparison</u></i>
KTHC	36.2004	<i>Franca ECKERT COEN and Claudio ROSSI (lxviii): <u>Foreigners, Immigrants, Host Cities: The Policies of Multi-Ethnicity in Rome. Reading Governance in a Local Context</u></i>
KTHC	37.2004	<i>Kristine CRANE (lxviii): <u>Governing Migration: Immigrant Groups' Strategies in Three Italian Cities – Rome, Naples and Bari</u></i>
KTHC	38.2004	<i>Kiflemariam HAMDE (lxviii): <u>Mind in Africa, Body in Europe: The Struggle for Maintaining and Transforming Cultural Identity - A Note from the Experience of Eritrean Immigrants in Stockholm</u></i>
ETA	39.2004	<i>Alberto CAVALIERE: <u>Price Competition with Information Disparities in a Vertically Differentiated Duopoly</u></i>
PRA	40.2004	<i>Andrea BIGANO and Stef PROOST: <u>The Opening of the European Electricity Market and Environmental Policy: Does the Degree of Competition Matter?</u></i>
CCMP	41.2004	<i>Micheal FINUS (lxix): <u>International Cooperation to Resolve International Pollution Problems</u></i>

KTHC	42.2004	<i>Francesco CRESPI</i> : <u>Notes on the Determinants of Innovation: A Multi-Perspective Analysis</u>
CTN	43.2004	<i>Sergio CURRARINI and Marco MARINI</i> : <u>Coalition Formation in Games without Synergies</u>
CTN	44.2004	<i>Marc ESCRIHUELA-VILLAR</i> : <u>Cartel Sustainability and Cartel Stability</u>
NRM	45.2004	<i>Sebastian BERVOETS and Nicolas GRAVEL</i> (lxvi): <u>Appraising Diversity with an Ordinal Notion of Similarity: An Axiomatic Approach</u>
NRM	46.2004	<i>Signe ANTHON and Bo JELLES MARK THORSEN</i> (lxvi): <u>Optimal Afforestation Contracts with Asymmetric Information on Private Environmental Benefits</u>
NRM	47.2004	<i>John MBURU</i> (lxvi): <u>Wildlife Conservation and Management in Kenya: Towards a Co-management Approach</u>
NRM	48.2004	<i>Ekin BIROL, Ágnes GYOVAI and Melinda SMALE</i> (lxvi): <u>Using a Choice Experiment to Value Agricultural Biodiversity on Hungarian Small Farms: Agri-Environmental Policies in a Transitional Economy</u>
CCMP	49.2004	<i>Gernot KLEPPER and Sonja PETERSON</i> : <u>The EU Emissions Trading Scheme. Allowance Prices, Trade Flows, Competitiveness Effects</u>
GG	50.2004	<i>Scott BARRETT and Michael HOEL</i> : <u>Optimal Disease Eradication</u>
CTN	51.2004	<i>Dinko DIMITROV, Peter BORM, Ruud HENDRICKX and Shao CHIN SUNG</i> : <u>Simple Priorities and Core Stability in Hedonic Games</u>
SIEV	52.2004	<i>Francesco RICCI</i> : <u>Channels of Transmission of Environmental Policy to Economic Growth: A Survey of the Theory</u>
SIEV	53.2004	<i>Anna ALBERINI, Maureen CROPPER, Alan KRUPNICK and Nathalie B. SIMON</i> : <u>Willingness to Pay for Mortality Risk Reductions: Does Latency Matter?</u>
NRM	54.2004	<i>Ingo BRÄUER and Rainer MARGGRAF</i> (lxvi): <u>Valuation of Ecosystem Services Provided by Biodiversity Conservation: An Integrated Hydrological and Economic Model to Value the Enhanced Nitrogen Retention in Renaturated Streams</u>
NRM	55.2004	<i>Timo GOESCHL and Tun LIN</i> (lxvi): <u>Biodiversity Conservation on Private Lands: Information Problems and Regulatory Choices</u>
NRM	56.2004	<i>Tom DEDEURWAERDERE</i> (lxvi): <u>Bioprospection: From the Economics of Contracts to Reflexive Governance</u>
CCMP	57.2004	<i>Katrin REHDANZ and David MADDISON</i> : <u>The Amenity Value of Climate to German Households</u>
CCMP	58.2004	<i>Koen SMEKENS and Bob VAN DER ZWAAN</i> : <u>Environmental Externalities of Geological Carbon Sequestration Effects on Energy Scenarios</u>
NRM	59.2004	<i>Valentina BOSETTI, Mariaester CASSINELLI and Alessandro LANZA</i> (lxvii): <u>Using Data Envelopment Analysis to Evaluate Environmentally Conscious Tourism Management</u>
NRM	60.2004	<i>Timo GOESCHL and Danilo CAMARGO IGLIORI</i> (lxvi): <u>Property Rights Conservation and Development: An Analysis of Extractive Reserves in the Brazilian Amazon</u>
CCMP	61.2004	<i>Barbara BUCHNER and Carlo CARRARO</i> : <u>Economic and Environmental Effectiveness of a Technology-based Climate Protocol</u>
NRM	62.2004	<i>Elissaios PAPYRAKIS and Reyer GERLAGH</i> : <u>Resource-Abundance and Economic Growth in the U.S.</u>
NRM	63.2004	<i>Györgyi BELA, György PATAKI, Melinda SMALE and Mariann HAJDÚ</i> (lxvi): <u>Conserving Crop Genetic Resources on Smallholder Farms in Hungary: Institutional Analysis</u>
NRM	64.2004	<i>E.C.M. RUIJGROK and E.E.M. NILLESEN</i> (lxvi): <u>The Socio-Economic Value of Natural Riverbanks in the Netherlands</u>
NRM	65.2004	<i>E.C.M. RUIJGROK</i> (lxvi): <u>Reducing Acidification: The Benefits of Increased Nature Quality. Investigating the Possibilities of the Contingent Valuation Method</u>
ETA	66.2004	<i>Giannis VARDAS and Anastasios XEPAPADEAS</i> : <u>Uncertainty Aversion, Robust Control and Asset Holdings</u>
GG	67.2004	<i>Anastasios XEPAPADEAS and Constadina PASSA</i> : <u>Participation in and Compliance with Public Voluntary Environmental Programs: An Evolutionary Approach</u>
GG	68.2004	<i>Michael FINUS</i> : <u>Modesty Pays: Sometimes!</u>
NRM	69.2004	<i>Trond BJØRNDAL and Ana BRASÃO</i> : <u>The Northern Atlantic Bluefin Tuna Fisheries: Management and Policy Implications</u>
CTN	70.2004	<i>Alejandro CAPARRÓS, Abdelhakim HAMMOUDI and Tarik TAZDAÏT</i> : <u>On Coalition Formation with Heterogeneous Agents</u>
IEM	71.2004	<i>Massimo GIOVANNINI, Margherita GRASSO, Alessandro LANZA and Matteo MANERA</i> : <u>Conditional Correlations in the Returns on Oil Companies Stock Prices and Their Determinants</u>

- (lix) This paper was presented at the ENGIME Workshop on “Mapping Diversity”, Leuven, May 16-17, 2002
- (lx) This paper was presented at the EuroConference on “Auctions and Market Design: Theory, Evidence and Applications”, organised by the Fondazione Eni Enrico Mattei, Milan, September 26-28, 2002
- (lxi) This paper was presented at the Eighth Meeting of the Coalition Theory Network organised by the GREQAM, Aix-en-Provence, France, January 24-25, 2003
- (lxii) This paper was presented at the ENGIME Workshop on “Communication across Cultures in Multicultural Cities”, The Hague, November 7-8, 2002
- (lxiii) This paper was presented at the ENGIME Workshop on “Social dynamics and conflicts in multicultural cities”, Milan, March 20-21, 2003
- (lxiv) This paper was presented at the International Conference on “Theoretical Topics in Ecological Economics”, organised by the Abdus Salam International Centre for Theoretical Physics - ICTP, the Beijer International Institute of Ecological Economics, and Fondazione Eni Enrico Mattei – FEEM Trieste, February 10-21, 2003
- (lxv) This paper was presented at the EuroConference on “Auctions and Market Design: Theory, Evidence and Applications” organised by Fondazione Eni Enrico Mattei and sponsored by the EU, Milan, September 25-27, 2003
- (lxvi) This paper has been presented at the 4th BioEcon Workshop on “Economic Analysis of Policies for Biodiversity Conservation” organised on behalf of the BIOECON Network by Fondazione Eni Enrico Mattei, Venice International University (VIU) and University College London (UCL), Venice, August 28-29, 2003
- (lxvii) This paper has been presented at the international conference on “Tourism and Sustainable Economic Development – Macro and Micro Economic Issues” jointly organised by CRENoS (Università di Cagliari e Sassari, Italy) and Fondazione Eni Enrico Mattei, and supported by the World Bank, Sardinia, September 19-20, 2003
- (lxviii) This paper was presented at the ENGIME Workshop on “Governance and Policies in Multicultural Cities”, Rome, June 5-6, 2003
- (lxix) This paper was presented at the Fourth EEP Plenary Workshop and EEP Conference “The Future of Climate Policy”, Cagliari, Italy, 27-28 March 2003

**2003 SERIES**

<b>CLIM</b>	<i>Climate Change Modelling and Policy</i> (Editor: Marzio Galeotti )
<b>GG</b>	<i>Global Governance</i> (Editor: Carlo Carraro)
<b>SIEV</b>	<i>Sustainability Indicators and Environmental Valuation</i> (Editor: Anna Alberini)
<b>NRM</b>	<i>Natural Resources Management</i> (Editor: Carlo Giupponi)
<b>KNOW</b>	<i>Knowledge, Technology, Human Capital</i> (Editor: Gianmarco Ottaviano)
<b>IEM</b>	<i>International Energy Markets</i> (Editor: Anil Markandya)
<b>CSRM</b>	<i>Corporate Social Responsibility and Management</i> (Editor: Sabina Ratti)
<b>PRIV</b>	<i>Privatisation, Regulation, Antitrust</i> (Editor: Bernardo Bortolotti)
<b>ETA</b>	<i>Economic Theory and Applications</i> (Editor: Carlo Carraro)
<b>CTN</b>	<i>Coalition Theory Network</i>

**2004 SERIES**

<b>CCMP</b>	<i>Climate Change Modelling and Policy</i> (Editor: Marzio Galeotti )
<b>GG</b>	<i>Global Governance</i> (Editor: Carlo Carraro)
<b>SIEV</b>	<i>Sustainability Indicators and Environmental Valuation</i> (Editor: Anna Alberini)
<b>NRM</b>	<i>Natural Resources Management</i> (Editor: Carlo Giupponi)
<b>KTHC</b>	<i>Knowledge, Technology, Human Capital</i> (Editor: Gianmarco Ottaviano)
<b>IEM</b>	<i>International Energy Markets</i> (Editor: Anil Markandya)
<b>CSRM</b>	<i>Corporate Social Responsibility and Management</i> (Editor: Sabina Ratti)
<b>PRA</b>	<i>Privatisation, Regulation, Antitrust</i> (Editor: Bernardo Bortolotti)
<b>ETA</b>	<i>Economic Theory and Applications</i> (Editor: Carlo Carraro)
<b>CTN</b>	<i>Coalition Theory Network</i>