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Asymmetric Impact of Oil Price and Exchange Rate on Stock Market : A Comparative Analysis of BRICS

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Abstract

With the inception of the 21st century, BRICS nations have witnessed remarkable economic development. Owing to their increasing significance in the financial system and role in economic growth, the focus has shifted to comprehending the fundamental factors that determine and impact stock returns in the BRICS. The BRICS stock markets have recently been more vulnerable to fluctuations in the price of oil and currency rates due to increased reliance on oil and exchange rate volatility brought on by globalization. This study applies the asymmetric impact of the oil price and currency rates on the BRICS stock market indexes from June 1, 2012, to May 31, 2022, using the NARDL (non-linear autoregressive distributed lag) technique. The policymakers must closely monitor fluctuations in the international oil market, especially during positive shocks and currency market to develop effective fiscal, monetary, and energy policies.

JEL Code : G150, G15,
Keywords : Oil Price; Exchange rate; Stock market; BRICS; Asymmetric; NARDL

I. Introduction

AS PER THE existing trades of modern economy facilitated by global growth, the BRICS nations (Brazil, Russia, India, China, and South Africa) are enjoying substantial economic growth. "The rapid expansion of BRICS in different spheres is changing the global economic environment therefore, elevating their significance in world economic affairs. Their contribution to the world economy rose from 8 percent in 2001 to 25 percent in 2019" (EMIS 2019) .

BRICS economies, stock markets, investor behaviour and economic policies are different from developed and developing countries" (Mozumder, 2015). Concurrently, increased cooperation among BRICS in "the areas of cyber security and trade technology in the last few decades has shifted global

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to the research to evaluate their effects. Future research may use these factors to examine the variable's asymmetries on the stock market. In future studies, it may be feasible to examine how the price of oil and the exchange rate affects the stock market by focusing on publicly listed firms that are directly or indirectly dependent on oil prices.

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