Energy and the Stock Market

Technological changes including of the cost of energy can have implications for the value of energy-using equipment, or machines.

Wei (2003) finds that rising energy prices cannot explain a drop in stock market value as large as observed. While labor cannot be reallocated from less to more energy-efficient machines, the wage rate can adjust. Though capital utilization adjusts, capital does not become obsolete because of energy price changes. Alpanda and Peralta-Alva (2010) use an exogenous arrival of more energy-saving machines to explain both the stock price decline and lower energy use relative to output after the 1973 OPEC oil embargo on the United States. Capital obsolescence is key for the transmission mechanism from energy prices to the stock market.

The aim of the project is to gain a good understanding of energy and stock market data, and perform statistical tests of the stationarity of time series.

Useful data can be accessed online.

Literature: