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A view to the long-run dynamic relationship between crude oil and the major asset classes☆,☆☆

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ABSTRACT

Using DCC-MIDAS model, we estimate the time-varying long-run correlations between crude oil and the major asset classes; then the structural changes in these correlations are determined with various methodologies. We reveal a strong positive (negative) secular trend toward higher correlation magnitudes across crude oil and gold (dollar index) over our sample period. On the other hand, the increase toward higher positive correlations between crude oil-stock and -bond market occur in a near instantaneous fashion after the 2008 global financial crisis. Following Fed's tapering signals in 2013, we observe a considerable rise in the crude oil-dollar index correlation for both short- and long-run components. Such a situation might indicate the reversion of the relationship between these two assets to pre-crisis status.