

Abstract

Although oil-based commodities play a crucial role in the world from an industrial perspective, their prices are often heavily influenced by the occurrence of various events covered in the news. These events often trigger a sudden increase in volatility, that spills across all oil-based commodities. As a result, it becomes riskier to invest in this group of commodities. Furthermore, the increase in oil price volatility introduces friction in oil trade due to pricing uncertainty. In this thesis, we processed over 900 events related to oil from 1978 to 2022 and grouped them based on a set of repeating characteristics. Utilizing a novel bootstrap-after-bootstrap econometric framework developed by Greenwood-Nimmo et al. (2021), we identified over 20 historical events that triggered a sudden and persistent rise in volatility connectedness. We discover that geopolitical events are twice as likely to cause an increase in volatility spillovers than economic events. We did not find evidence for natural events influencing oil volatility spillover levels. Furthermore, a majority of the events after which the spillover levels increased share three common characteristics: they are negative, unexpected, and introduce fear of oil supply shortage. Investors and policymakers can use our findings to assess the potential effect of newly appearing news articles on the volatility of oil-based commodities. Our paper can also serve as a reference source of important events with proven impact on the energy markets.