

Abstract

This thesis examines the impact of geopolitical risks and commodity prices on the stock returns and volatility of Canadian resource companies from 2004 to 2023, with a focus on the oil and energy sector, gold sector, and other minerals mining sector. Employing a comprehensive analysis of non-segmented and segmented data which has three distinct periods—2004-2009, 2010-2018, and 2019-2023—this study addresses the nuanced effects of geopolitical risk (GPR) in times marked by both economic stability and major global disruptions. The findings reveal that GPR significantly influences stock return volatility and mean equation, and also has a sector specific difference with oil and energy sector being the most effected one. The local Canadian GPR index was found to exert a more substantial impact on both the mean and volatility of stock returns compared to the global GPR index, emphasizing the importance of local geopolitical events in the Canadian market context. This thesis contributes to the empirical literature by highlighting the sector-specific responses to GPR and commodity price fluctuations, offering valuable insights for policymakers, regulators, and investors. It underscores the critical need for incorporating commodities in investment portfolios and adapting investment strategies to account for local geopolitical dynamics.

JEL Classification: C22, C51, C52, C58, G14, Q34

Keywords: Canadian markets, geopolitical risk, commodity prices, stock returns, volatility, resource sectors, GARCH

Title: Geopolitical Risk and Commodity Prices: Impacts on Canadian Resource Companies