ABSTRACT

The paper examines the impact of oil price shock on U.S. industry returns during the COVID-19 era, specifically the pre-pandemic, within pandemic and post pandemic periods. The paper uses panel data of 8 firms with daily data over a time period of 28th of January 2019 up to the 31st of December 2021, amounting to 5,911 daily observations. Using a fixed effects regression model across multiple industries, we find that the impact of oil price shocks differ across industries, where some experience minimal effects and some are affected at greater magnitudes. Contrary to traditional theories of the inverse relationship between oil prices and market returns, our result suggests that an increase in oil shocks generate positive returns from the observed industries. Furthermore, we find that there exists an asymmetrical effect of positive and negative oil price shocks towards returns; the effect of oil prices also become more pronounced in the post-COVID period.