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# Efficient estimation and testing of oil futures contracts in a mutual offset system

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the standard Unbiased Expectations hypothesis, and the augmented cost-of-carry system is also found to be superior empirically to the standard cost-of-carry system for both SIMEX Brent futures and IPE Brent futures contracts.

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## Notes

Cointegration has been well explored in the literature, with a comprehensive coverage of the literature given in Engle and Granger ([1991](#)) and Banerjee et al. ([1993](#)). The basic insight into cointegration analysis is that, although many economic time series are non-stationary in the long run.

Many financial time series exhibit trends, and a random walk process has a stochastic representation

Hakkio (1989) rates the significance of the spread

His proposal to use the parameter of the time series into the futures market

×



stochastic series,  $y_t$ , is a stationary ARMA process. The spread of interest rates is an interesting phenomenon relating to the risk premium. The spread is based on the continuous time series of the hedged distance between the spot and futures prices. The security of all futures contracts is based on the arbitrage function

$W(\tau)$ , where  $\tau$  is the time distance between the current period and the maturity of existing contracts.

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