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

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Abstra

With the ncreasingly
importar undaries.
Models c nation set
can be e er support
this pro led in a
mutu nge (SIMEX)
and the EX Brent
futures c futures
price int f-carry
hypothe obtained by
incorpor e two
hypothe gmented
unbiased expectations hypothesis is found to be superior empirically to the system for

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-stationa ne long run.

Many fir tochastic trends, a eries, y_t, has a sto rtible ARMA represer

Hakkio (re of interest rates n relating the s premium. His prop ns on the paramet ntinuous time ser ked distance into the urity of all futures i ght function

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

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