How Stock Markets respond to Dynamic Changes in FDI, GDP and Oil Prices? A Dynamic Panel Quantile Approach

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Abstract

The present paper analyzes the effects of dynamic changes in foreign direct investment, economic activity and oil prices across the distribution of stock markets performance in the Eurozone. A dynamic panel quantile approach is performed that provides empirical evidences about the negative effect of distinct variables, namely, inward foreign direct investment, oil prices and economic activity on the stock markets performance. In addition, inward foreign direct investment and oil prices are statistically significant. Concerning the quantile regressions, the empirical evidences reveal a negative effect of the inward foreign direct investment and oil prices on the stock markets performance. These same effects are statistically significant at the lower levels of the stock markets performance and at the lowest and highest quantiles of the distribution of stock markets performance, respectively. For its turn, economic activity denotes a nonlinear effect on stock markets performance, which is characterized by a negative effect, at the higher levels of the performance distribution, and by a positive effect, at the lower levels, although not statistically significant.

Keywords: Nonlinearities; Quantile Regression; Stock Markets.

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