**[*PAPER/Poster* *TITLE*]**

***OIL PRICE, EXCHANGE RATE, and JAPANESE STOCK RETURNS***

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## Overview

## This paper investigates economic forces a¤ecting Japanese stock returns paying particular attentions to economic/structural interpretations of structural shocks behind oil price and exchange rate movements, extending the frameworks of Kilian (2009) and Ready (2018) by including exchange rate variable in their models.

## Methods

## Structural VAR (Vector autoregressission)

## Results

## The performance of the extended Ready’s model is much better than the extended Kilian’s model.

## Conclusions

## We find economic interpretation of the Ready’s empirical framework difficult, because stock returns respond positively to oil price increase due to oil supply shocks and the signs of the impact of exchange rate shocks change in sub samples. Statistical interpretations of two models are rather straightforward: in both models, the “residuals”of oil price fluctuations that cannot be explained by other explanatory variables or structural shocks have positive impacts on Japanese stock returns. They are called “oil-market-specific price shocks” in Kilian’s model and called “oil supply shocks”in Ready’s model, because of their different identification strategies.

## References

Kilian, Lutz (2009) “Not All Oil Price Shocks Are Alike: Disentan-gling Demand and Supply Shocks in the Crude Oil Market”, American Economic Review 99(3), 1053-1069.

Ready, Robert C (2018) “Oil Prices and the Stock Market,”Review of Finance, 22:1, 155-176.