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THE IMPORTANCE OF INTEGRATING QUANTITATIVE RESEARCH METHODS TO UNDERSTAND COMMODITY BUSINESS FINANCE

Abstract:

There is significant variety in the range of quantitative methods used to analyse problems in commodity business finance. This study focuses on how these methods can be to aid the understanding of how crude oil spot and futures markets behave during major shock events that are characterised by high levels of uncertainty and risk to businesses that rely on commodities to function. This paper uses the context of the relationships and behaviour of spot and futures prices of major oil benchmarks such as Brent crude oil (the European crude oil benchmark), the West Texas Intermediate (the US benchmark) and the Dubai crude oil (the Middle East benchmark). The research methodologies under consideration are of a great value for businesses, and in particular to practitioners, as they help them by offering in depth analysis of oil price behaviour. This aids decision making for example on topics such as strategic investment and sourcing of raw materials. Through integrating different methodologies, this paper also contributes towards the operationalisation of behavioural finance theory. This relatively new theory considers that the markets are not as predictable as once thought and decisions are really made based on how we, as humans, make decisions. The use of multiple methodologies contributes to capture the variance that occurs across the market under behavioural finance theory.

Keywords:

Business finance, Mixed method research, Commodity, Energy, Shock periods, Cointegration, Causality, Volatility, Efficiency, Decision making.

JEL Classification: E37, G01, Q47