The Weekend Effects in the World Crude Oil Market

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Those who familiar with the crude oil market operation should observe the spot crude oil prices in the weekend usually deviate from the normal trend. Such a phenomenon is quite popular in the financial market, which is named as weekend effects. Although the weekend effects in the stock market or futures market have been investigated for a long while by the financial economists, no one focus on the analysis of world crude oil market. Many evidences in the financial market indicate that the significant lower returns over the period between Fridays' close and Monday's close. This paper would like to examine whether the weekend effect can also be found significantly in the world crude oil market.

By using the daily WTI spot and futures prices published by DOE, we can implement some econometric analysis. Running the asset return (ΔP) on many days dummy variables (e.g. Monday =1; others=0) for 2223 samples, the statistics of days' coefficient reveal lots of information. Current results show that there are significant weekend effects in the world crude oil market. The asset return (ΔP) is significant lower in Monday but higher in Friday, which brings us some probable implications:

1. Buyers tend to buy less crude in Monday but more in Friday.
2. Any sellers or buyers should be more cautious when trading around the weekend.
3. Any policies or actions may not be announced around weekend for avoiding larger price volatility.
4. Better sell/buy arrangement may be necessary to reduce the unnecessary loss for the trade around weekend.
5. Crude oil price may be less volatile if weekend effect was eliminated.

Although more robust tests are still necessary to verify the above implications, the significant empirical results indicate that it is worthy to pay more attention on the weekend effects for world crude oil trade.

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