Abstract

This study examines the impact of International Energy Agency's Oil Market Reports on oil-related prices. The IEA reports, published monthly in Paris, have become the primary source of world oil supply and demand forecasts. We collect 179 announcements that released by IEA over the period October 1990 to December 2005. We analyze the effects of these reports on three oil-related markets, IPE Brent Crude futures, oil industry indices and stock prices of oil companies in six countries. Moreover, we separate the effects of IEA’s forecast changes on oil supply from non-OPEC countries and oil demand from North America and China in IEA’s report.

The results confirm that IEA’s reports carry important information source for oil-related markets because more than one half of our sample companies have abnormal returns around the announcement date of IEA’s reports, and we explore these prices respond negatively to the release of IEA’s reports. We also find that the actively traded IPE Brent Crude futures contracts are affected by IEA’s reports, particularly for the change of demand in North America. Forecast changes in IEA’s reports regarding supply in non-OPEC countries, demand in North America and China show that most countries are affected by the changes in these reports. The evidences also show that British and Norwegian oil stock markets react more strongly to the change of oil demand in North America and China. Moreover, we find that participants in the oil market put more emphasis on demand changes reported by IEA, especially for China demand. And we provides empirical evidence that these companies are concerned more about the related releases of decreased demand in North America and increased demand in China. Finally, cross-sectional analysis of cumulative abnormal returns suggests that the reaction of American and Norwegian companies to IEA’s announcements is stronger than other countries, and the change of demand in North America and China and the size variable for individual company contribute to the changes of abnormal returns around IEA’s reports.