

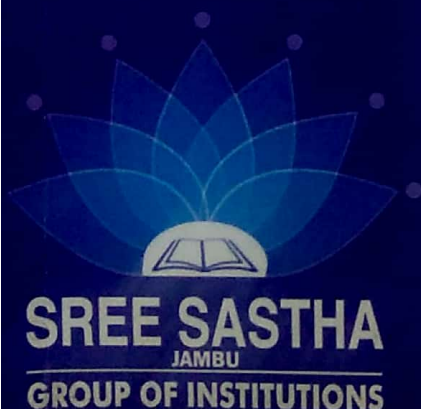
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Website : www.ijambu.in
Email : editor.ijambu@gmail.com



Impact of Crude Oil Prices on the Movement of BSE Sensex

Dileep. S

Assistant Professor, Department of Management Studies, Dayananda Sagar Academy of
Technology and Management, Bangalore

Dr. G.V. Kesava Rao

Professor & Dean – R & D., Department of MBA & Research Centre, R.N.S. Institute of
Technology, Bangalore

1. INTRODUCTION

Changes in the price of crude oil are often considered an important factor for understanding fluctuations in stock prices. In the long-term, the influence of oil price on stock prices prevail, as oil price effect transmits to macroeconomic indicators that influence liquidity of these markets. This suggests that the effect of oil price changes transmit to fundamental macroeconomic indicators, which in turn affect the long-term equilibrium linkage between these markets. Conditions that reflect change in observable factors that affect an economy. Second, there are speculative factors that operate entirely within a market over short periods. These two sets of conditions sometimes work together, and sometimes opposite. Thus, a given market can be speculatively strong, but fundamentally weak, or the reverse.

Crude Oil is a naturally occurring, unrefined petroleum product composed of hydrocarbon deposits. Crude oil can be refined to produce usable products such as gasoline, diesel and various forms of petrochemicals. Although it is often called "black gold," crude oil has ranging viscosity and can vary in colour to various shades of black and yellow depending on its hydrocarbon composition. Distillation, the process by which oil is heated and separated in different components, is the first stage in refining. India is the 6th largest consumer of petroleum, By the year 2010, India is expected to rank 4th in terms of consumption of energy. Around 70% of the demands are fed by the imports of oil and natural gas. The contribution of the Indian Oil and Natural Gas Industry is nearly US\$ 13.58 billion.

Note: In petroleum industry parlance, production refers to the quantity of crude extracted from reserves, not the literal creation of the product.

Global Status

Rank	Producing Nation	10bbl/\$ (2006)	10bbl/\$ (2007)	10bbl/\$ (2008)	10bbl/\$ (2009)	Present Share
1	Saudi Arabia (OPEC)	10,665	10,234	10,782	9,760	11.8%
2	Russia	9,677	9,876	9,789	9,934	12.0%
3	United States	8,331	8,481	8,514	9,141	11.1%
4	Iran (OPEC)	4,148	4,043	4,174	4,177	5.1%
5	China	3,846	3,901	3,973	3,996	4.8%
22	India	854	881	884	877	1.1%