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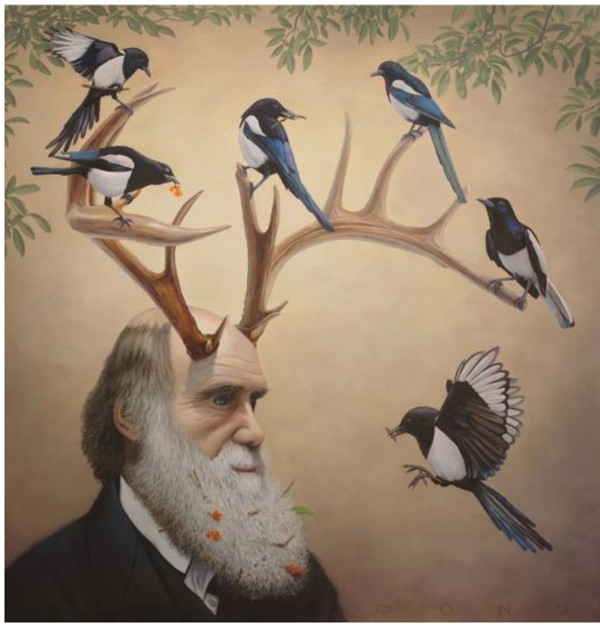
Revista de Antropología, Ciencias de la Comunicación y de la Información, Filosofía, Lingüística y Semiótica, Problemas del Desarrollo, la Ciencia y la Tecnología

Año 35, 2019, Especial N° 22

Revista de Ciencias Humanas y Sociales
ISSN 1012-1587/ ISSNe: 2477-9385
Depósito Legal pp 198402ZU45



Universidad del Zulia
Facultad Experimental de Ciencias
Departamento de Ciencias Humanas
Maracaibo - Venezuela

Opcion, Año 35, Especial Nº 22 (2019):*2899-2921*
ISSN 1012-1587/ISSNe: 2477-9385

The Impact Of The Decline In Oil Prices On The Performance Of The Iraqi Market For Securities

Faez hlail srayyih [1,1], Omar Howaidi [1,2], Ahmad Battal Hussain 3

1Lecturer in University of al-anbar College of Management and Economics;-
1Faezhalal12345@gmail.com, 2 abukhatab32@gmail.com
3 Professor in University of al-anbar College of Management and Economics

Abstract

The primary source of oil-producing countries, which depend primarily on their economy for oil, is that their economies are linked to the global economy. These countries are greatly affected by the changes in the world oil prices, the fluctuations of oil prices directly affect all indicators of the global economy, that high oil prices will lead to the growth of exports of the producing countries, and thus increase government spending, and vice versa will be in the event of declining world oil prices will be reflected negatively On the economic and social situation in the oil producing countries.Iraq is among the oil-exporting countries, and its economy depends entirely on oil, and the impact of the decline in global oil prices will lead to the deterioration of Iraqi shareholding companies, which leads to a decrease in profitability and liquidity as well as some other financial factors, and the current study will shed light on the impact of the global oil price decline on Indicators and general financial factors in the market, the current study aims to know the effect of low oil prices on financial indicators, the current study is divided into multiple axes, theoretical concepts of oil prices will be presented, and economic effects in the case of low oil prices, analysis of decline Oil prices on the indicators of the Iraq Stock Exchange. Among the most prominent findings of the study to the existence of a relationship between low oil prices and indicators of the Iraqi market for securities.

El Impacto De La Disminución De Los Precios Del Petróleo En El Desempeño Del Mercado Iraquí De Valores

Resumen
La fuente principal de los países productores de petróleo, que dependen principalmente de su economía para el petróleo, es que sus economías están vinculadas a la economía global. Estos países se ven muy afectados por los cambios en los precios mundiales del petróleo, las fluctuaciones de los precios del petróleo afectan directamente a todos los indicadores de la economía mundial, que los altos precios del petróleo conducirán al crecimiento de las exportaciones de los países productores y, por lo tanto, aumentarán el gasto público, y viceversa, en el caso de una disminución de los precios mundiales del petróleo se reflejará negativamente en la situación económica y social de los países productores de petróleo. Irak se encuentra entre los países exportadores de petróleo, y su economía depende completamente del petróleo, y el impacto de La disminución de los precios mundiales del petróleo conducirá al deterioro de las compañías accionarias iraquíes, lo que conducirá a una disminución de la rentabilidad y la liquidez, así como a algunos otros factores financieros, y el estudio actual arrojará luz sobre el impacto de la disminución global de los precios del petróleo en Indicadores y factores financieros generales en el mercado, el presente estudio tiene como objetivo conocer el efecto de los bajos precios del petróleo en los indicadores financieros, el estudio actual es dividir d en múltiples ejes, se presentarán los conceptos teóricos de los precios del petróleo y los efectos económicos en el caso de los bajos precios del petróleo, el análisis de la disminución de los precios del petróleo en los indicadores de la Bolsa de Valores de Irak. Entre los hallazgos más destacados del estudio se encuentra la existencia de una relación entre los bajos precios del petróleo y los indicadores del mercado iraquí de valores.

Research Methodology

Introduction:

Iraq annually loses more than one billion dollars with every drop of one dollar per barrel of oil exported by Iraq, and that this price hurts the Iraqi economy and increases the budget deficit, especially as its economy depends more than (95%) on the returns obtained from the sale The oil. The deterioration of the Iraqi economy has started because of the decline in oil prices, as preliminary data revealed a deficit in the public budget of more than (20) billion dollars, equivalent to (23) trillion Iraqi dinars, despite the large pressure of expenditures. Since the admiration of the Iraqi government, investment spending has been a threat and a victim of any drop in oil prices. This means that construction and construction will stop at a time when it suffers from a significant deterioration in infrastructure due to the heavy legacy of the decades before the American occupation of Iraq in 2003 and the repercussions of the war on terrorism.

First: Research problem

Iraq is facing the problem of low prices as a result of continuous fluctuations in world oil prices, which imposes a new reality in how the funds are distributed on budget items in a manner commensurate with the portfolio on the performance of economic activity and the stability of the financial market. On them through the following questions:

1- What is the effect of low oil prices on the Iraq Stock Exchange.

2- Knowing the factors affecting the low oil prices.

3- Explain the relationship between low oil prices and the general index of the Iraq Stock Exchange.

Second: The Research hypothesis

The research stems from two basic hypotheses

1- Low oil prices lead to a decrease in the Iraqi Stock Exchange index.

2- The existence of a long-term balanced balance relationship between the index of low oil prices and the general index of the Iraq Stock Exchange.

Third: The Research objective:

1- Analysis of the relationship between low oil prices and the general index of the Iraq Stock Exchange

2- Knowing the factors affecting oil prices

3- Statement of the economic effects of low oil prices

4- Statement of developments in oil prices

Fourth: Previous studies

1- Mahmoud Study 2016

Entitled “Low oil prices and its impact on the Iraqi economy.”

The study aimed to monitor the importance of oil and the extent of the reflection of the decline in oil prices on the economic and social aspects, as the economy depends on the returns of oil exports, which makes it vulnerable to low and high oil prices and thus its impact on the operational and investment budget, which causes an increase in unemployment rates and high poverty rates inside Iraq. The researcher recommended the need to diversify Sources of revenue and interest in raising the efficiency of the banking sector and rationalizing expenditures in the best way

2- Al-Bassam and Al-Sharida study, 2013

The study was titled The Risks and Problems of Low Oil Prices in Preparing the General Budget in Iraq and the Need to Activate Non-Oil Income Sources: An Analytical Study.

The study aimed to diagnose the risks and problems of recurring oil prices in preparing the general budget and the reflection of this decrease on economic policies and the implementation of development plans. The researcher concluded that oil price fluctuations greatly confused the public budget in Iraq and the study recommended activating non-oil income sources in financing the general budget resources, especially taxes In addition to developing other productive sectors

3- The Mahdi Study 2015

The study was titled Low Oil Prices and the necessary measures to reduce its impact on the general budget in Iraq

The study aimed to know the size of the oil sector's contribution to financing the public budget and the extent of the contribution of other sectors in this financing. The research dealt with analyzing the state's budgets for different years, and it was noticed the large volume of operating expenses compared to investment expenditures. Or to increase the state's revenues to overcome the crisis of low oil prices.

4. Al-Jubouri Study 2016

It was titled Economic Effects of Low Oil Prices on the Iraqi Economy The study aimed to reach measures that reduce the negative effects of low oil prices on the Iraqi economy and this leads to confusion in the implementation of development plans and a contraction in economic activity due to the large decrease in total government spending, which depends entirely on oil revenues, which is the main driver of the growth in activity The study recommended short-term measures to tackle the deterioration of oil prices, including reducing and rationalizing government expenditures and providing quick additional revenue for the government, and then correcting imbalances in the long term by diversifying income sources in order to raise the ability of the economy to meet The decline in oil prices

5. Study of a soldier 2018

It was titled, The Impact of Global Crude Oil Price Fluctuations on Inflation and Economic Growth in Iraq

This study aimed to show the negative effects of fluctuations in world oil prices on economic activity in developed and developing countries. Five standard models were estimated to reach these goals, as the stability test results showed that most variables are unstable at their original level, but their stability was achieved when taking the first differences in them. The results of the joint integration with his methodologies (Johann Geselius and the self-regression of the distributed slowdown) showed an integrative relationship between crude oil prices and nominal GDP with and without oil, while we find that there is no with the variables of real GDP. With and without oil, as well as the rate of inflation. Finally, the study moved to conduct a Cranger causal test to demonstrate the causal relationship between oil prices (an independent variable) and the rate of inflation and output, both with and without oil (dependent variables). To confirm the existence of a causal relationship between crude oil prices and nominal GDP with and without oil, while that relationship was absent with the rate of inflation and real GDP without oil, while that relationship was weak with real GDP with oil.

Fifth:What distinguishes this study from previous studies

Our study attempted to reveal the nature of the relationship between low oil prices and the OPEC basket since 2014 and on the general index of the Al Aqq Stock Exchange through the application of the ARDL methodology for the period (January 2013 to September 2018), according to the availability of data.

Chapter Two

The theoretical side

First: The factors affecting oil prices

The market for setting oil prices is the most complicated market as it is a few monopoly market, as it is possible that the price war in most stages may cause a rise in the rate of fixed costs to variable costs, so that large companies achieve an important preferential advantage over smaller companies, which leads to an increase Oil prices, compared to the average of the variable cost prices, increase the volume of productivity and the expected glut after that leads to a decline in prices (Jandil and Abdel-Hussein, 2017: 54). Therefore, there are several factors that affect the determination of oil prices and can be summarized as follows:

1- Supply: Crude oil prices are affected by the supply of regular oils, which depend on the quantities extracted and the remaining reserves in addition to new explorations from oil reserves.

2- The location: whenever the export port for any type of oil entering the market is close to the point of receipt or consumption, which led to a decrease in transportation costs, which reduced oil prices, and this made the Arab Gulf and Mediterranean ports distinct for the major consuming countries in the south. Evil of Asia and Europe.
3- Demand: Demand, its pattern, and expectations in the growth of the global economy and the increase in the population (Faraj, 2015: 43) are considered one of the most important factors that affect oil prices, as demand for oil is divided into two parts.
The first: - Demand for the purpose of consumption and this type of demand is affected by increased rates of global economic growth, which contributed to the high global demand for oil products (Abu Mari, 2016: 37)
The second: - Demand for speculative purposes in future markets. The increase in speculative activity in futures markets resulting from investor expectations in investing in commodities and for the purpose of achieving high returns has led to the entry of many new investors to the oil market and represented in investment institutions such as pension funds and insurance companies to hedge against The risks of inflation and the weakening dollar have affected the international market for oil prices. (Faraj, 2015: 50)
4- Available: filtering capacity, pattern, development and technical complications in the major consuming countries are the ones that determine the prices of petroleum products and thus the prices of crude oil.
5- Alternatives: The policies for rationalizing oil consumption and the economics of available or possible alternatives projects for oil energy in industrialized countries, which has an impact on oil prices. The high oil prices were an important incentive for consuming countries to find alternatives to energy in general and oil in particular
6- Technologies: The use of modern technologies in the extractive and transformative oil industry and its continuous progress in improving the style and methods of oil operations has reflected this on the overall oil prices.
7- Policies: There is no doubt that the policies pursued in each of the oil producing and consuming countries and their strategies play a major role in shaping oil prices. Economy The development of the global economy and the international financial situation (recovery or recession) are factors affecting energy prices in general and oil prices in particular.
9- Environment: The environmental impacts of the oil industry and its use, and the impact on the air, land and marine environment for humans, chal-

lenges in the location and patterns of oil operations, which have affected the costs and prices of crude oil

10- The exchange rate: Given the close correlation between the dollar price and oil prices and their impact on oil trade exchanges that depend on the dollar for their exchanges, so any increase or decrease in the dollar exchange rate will affect negatively or positively on oil prices (Faraj, 2015: 46) The decline in the dollar exchange rate reduces the purchasing power of the dollar relative to the exporting countries, which makes them refrain from increasing production, which led to an increase in demand for American goods that have become relatively cheaper than goods on the European market. This major shift in favor of the American market will require a great time (Al-Muzaini, 2013: 339)

11-Geopolitical factors:Geopolitical factors play an important and influencing role in oil price fluctuations. Tensions, turmoil and conflicts that occur in the world directly affect both the consuming countries and the exporting countries. If these factors occur in the areas of oil production and refining, it will threaten the security of the flow of oil supplies to Consumers and thus the political factor remains an instantaneous factor dependent on certain political conditions (Al-Muzaini, 2013: 337), as oil is closely linked with international crises and conflicts because oil has become a main engine for international crises and conflicts and after the end of the first global scab, there is a need A foundation for securing oil as an energy for military operations and industrial production, as wars and conflicts have started to ensure the security of oil access, with the exception of wars, conflicts in Arab regions where there is oil, these conflicts have led to low oil prices to record levels and this is a warning and far from expectations (Ali and others, 2016 : 146)

12- Predictive factor:Because oil is a depleted commodity, the effect of this on prices is normal. The markets are currently sensitive to this matter, as the productive life of this commodity is not specified precisely (Al-Muzaini, 2013: 337), meaning that the oil will be like any natural resource Not renewable, available, but with depleted quantities in the ground, and therefore any increase in the global demand for limited (non-renewable) supplies must lead to higher prices, the higher the rate of consumption to what is available from a natural resource that leads to participation to reach the point of its depletion (Jandil , And Abdul Hussain, 2017:54).

13- Speculation: The use of oil as a commodity for speculation is one of the new phenomena that the oil industry is exposed to and which depends on future expectations that are based on economic, political and climatic

variables. If speculators predict that oil prices will rise in the future, they will buy and store oil, and this purchase contributes to higher prices The oil is bigger and vice versa, and many indications indicate that one of the reasons for the drop in oil prices during this period is speculators 'expectations during this period of lower oil prices, so they sold their floating stocks at sea, causing the supply of Oil (Mahdi 2013:110)
Most of the aforementioned factors affect oil price fluctuations, because price fluctuations are not normal, but are characterized by a number of factors and the so-called (oil price line), which is the result of rapid, sharp, and unexpected fluctuations in international oil prices and which creates an imbalance, have appeared. In the general conditions of the state) this can be illustrated by the following formula

$$\boxed{R=P*Q}$$

R = oil revenue

P = Crude Oil Prices

Q = the number of barrels exported from crude oil

Oil revenues increase and decrease depending on the relationship between (P * Q) and if we know that this relationship is affected by many factors, it is natural that oil revenues are subject to fluctuations and thus the instability of oil prices will affect economic decisions (Jandil and Abdel Hussein, 2017: 53 There are factors with a long or immediate range that affect the forces of supply and demand, such as the increase in international conflicts and wars, and the internal problems of the country's political and economic situation. They affect the supply and demand for oil. The market forces have been imbalanced in favor of either one of the up or down
Second: The economic effects of low oil prices
Most of the studies that concerned with oil prices confirm that there is an inverse relationship between oil prices and growth rates of the national product, as low oil prices for the consuming countries are accompanied by high incomes of individuals and an increase in their financial assets, and then the increase in production and employment rates due to the low cost of production, and this reflects positively On the economies of consuming countries, the fact that oil represents one of the basic cost elements of production for these countries, and this decrease will increase the real in-

comes of consumers, which will be reflected in the level of actual demand and use, increased economic activity and high rates of growth.

As for the producing countries, their economies will be affected greatly as a result of the decline in oil prices, through their direct impact on the implementation of the development programs of these countries, because oil revenues represent the main artery for financing these programs and their impact on financing government spending programs in its current and investment aspects, because most of the economies of oil producing countries Economically rentier, as oil revenues represent a large proportion of public budget financing (Jubouri, 2016: 2128-2129)

Third: developments in oil prices in the world

The increase in crude oil prices during the last period led to the growth of investments in oil to enhance profits, especially in the United States of America, coinciding with the technological development in extracting shale oil after using the latest modern technological developments, so North American production of shale oil jumped from (10.9) million I / y in 2012 to (14.6) million t / y (stars, 2015: 14), and this led to an increase in the oil supply, which reflected negatively on the decline in oil prices, as oil prices decreased from (106) dollars in 2012 to (92) Dollars in 2014, as well as other factors that contributed to the decline in oil prices, which is the increase in oil supply Crude in the international market from countries outside OPEC, for example, Brazil was one of the oil-consuming countries.

Today it is after recent explorations from the exporting countries, as well as the economic downturn in both Europe and Japan, and the economic slowdown in China (Farid and Nabil, 2015: 7) And low interest rates in major regions of the world, such as the euro area and Japan, this led to the trend of capital towards investing in financial assets, which was reflected in the decrease in demand for crude oil in these regions (Al-Tohmeh, 2016: 4). Moreover, the dollar The American high in his high purchasing power made the nose Higher raw commodity price in terms of real value, but for the Organization of the Petroleum Exporting Countries announced in November 2014 not to reduce production ceilings in order to defend the prices Crude oil has been interpreted by local people as an attempt to inflict economic damage on a number of countries, including Iran, Russia, and Iraq, in order to influence its policies towards Middle East issues and other regions.

However, this decision affected the economies of producing countries within OPEC, but in varying proportions, except that The biggest damage was to the Russian, Iraqi, and Iranian economy (Nujoom, 2015: 15), so

Saudi Arabia decided to increase its production in September 2014 by half by a rate of (9.6) million b / d in global markets regardless of the volume of demand, which caused the production of (excess supply) Economists believe that this decision was made by Ko A way to pressure Iran, which is trying to increase its production to cover the deficit in its economy, the famous American analyst Thomas Friedman went in his article, “If the US-Saudi oil alliance succeeds by reducing the prices of the systematic crude, the budget of Moscow or Tehran will not be able to bear the expenses of their expenses, and will not The economy of these two countries will be able to survive (Farid and Nabeel, 2015: 6).

It is clear from this that fluctuations in the price of crude oil during the period (2005-2014) are that the price of oil never starts from the sixth month of 2014 AD from $ 108 to less than 30 $ At the beginning of 2016, meaning that the rate of decline exceeded 70% compared to the prices for the first half of M. The year 2014. This decline is caused by a group of factors, the most important of which is the economic factor, although global demand at the time of falling prices did not decrease significantly despite the slowdown of the Chinese economy and low growth rates in Europe, but the decisive factor is an abundance of supply in the oil market, because high oil prices For the period before the big drop in 2014, the giant oil companies were encouraged to invest and develop high-tech production methods that contributed to increasing the shale oil supply to four million barrels per day, led by the increase in US oil production (American shale oil), as the companies invested a US oil big money to develop the technology and the mechanics of modern extraction for the production of oil shale and high oil prices in this period, making this period economically viable. In addition to increasing Iraqi oil production rates, contrary to all expectations that predicted deterioration in production rates due to security instability and military operations to counter terrorism, as well as the continued increase in oil production in both Iran and Algeria, these factors combined led to a decline in oil prices as a result of the increase in the oil supply. In addition to the failure of OPEC in its meeting held in November of 2014 to take decisive measures to curb the production rates of its members and reduce its total production at times when oil prices are declining (Jubouri, 2016: 2126-2127).

It was caused mainly by a combination of a combination of economic factors as well as geopolitical factors that made crude oil a commodity like any non-monopoly commodity and this caused the collapse of OPEC’s strength and the shift from monopoly pricing to oil to competitive pricing.

Fourth:The concept of financial markets

The topic of financial markets receives great attention by the economies of developed and developing countries alike, because of the important role they play in mobilizing national savings and directing them in investment channels that work to support the economy and the financial market, which is a group that is well-known and well-known. Or for a specific asset where investors can buy and sell a number of stocks and bonds within the market, either through brokers or operating companies (Al-Jawary, 2010: 27).

As demand is combined with it, whether by direct or indirect communication through brokers or companies, money and supply of funds and in other words, the financial markets are the organization that enables the owners of the money from the money. Funds where they can, in a structured manner, complete their transactions according to specific conditions (Shendi, 2013: 157). Institutions concerned with investment affairs in securities. Issuance and circulation of the sale and purchase of securities. Financial) assets such as stocks, bonds and carry operations returns and risk (Abdul Hakim, and Dalloul 2011: 102) So the financial markets facilitate the trading process between buyers and sellers of property rights and debt are in the financial market assessment of securities prices and measure their returns (Khudair 2009: 45)

The financial market is defined as "a financial institution dealing with different parties, individuals and institutions for the sale and purchase of securities consisting of shares and bonds, as shares are ownership certificates, but bonds are certificates of lending" (Buttnera and et al, 2012: 77), as it was known by the market also. As the market in which the buying, selling and exchanging of shares and securities are made for many institutions and companies, depending on the nature of the relationship between supply and demand. (Hanousek and Novotny, 2012: 35) Mishkin knew that the market was a place to meet a specific need through operations in exchange for giving up money (Mishkin, 2007: 166).

Fifth: The role of financial markets in economic activity

The main function of money markets is to transfer funds from parties that have excess funds, and the main goal of financial markets is to direct savings to parties that suffer from a deficit in funds in order to achieve an effective balance between them and the balance of the balance between the funds It focuses on economic activity and its fields, as it is a main tool to encourage economic development through its ability to achieve its vital mission in supporting and consolidating economic stability. For the state through the following

1- Achieving the vital incentive and motivation among the masses of investors through achieving the fair price of the securities traded in the stock market.

2- The ability to provide and recycle the appropriate amount of funds to achieve the necessary liquidity for the community for the different time investments.

3- Activating the importance of dealing in the society's financial papers and transferring them to active investors in the national economy.

4- Raising the levels of production in the economy by financing investment opportunities and raising the levels of employment or employment and thus achieving better levels of individual income or at the national level.

5- Financing economic development by assisting the governments of countries to borrow from the public for the purpose of financing development projects and accelerating the rates of economic growth (Al-Jawary, 2010: 29)

6- Financial markets provide the possibility to diversify investment portfolios in terms of type, term and cost (Abdel Hakim, Dalloul, 2011: 103). .

7- Providing liquidity to investors Financial markets have become an important and vital role in the financial financing operations of various economic projects through mobilizing financial resources and savings and directing them towards productive investments.

8- Financial markets are considered as an early warning to those in charge of affairs of the stock exchange, and an indication of the future economic situation of the country.

9- Contributing to achieving high efficiency in directing resources to the most profitable areas, which is accompanied by efficiency growth and economic prosperity, and this requires the availability of several features in the financial market, the most important of which are the price efficiency in the price market, the price of the price, the price of the money, the price of the price, the price of the money in 2013, the price of the price, the price of the money, the price of the price, the price of the price, the price of the price, the price in the price, the price of the price,)

10- The success of the economic reform program depends on the existence of an active financial market working on developing and expanding the scope of dealing in securities in an organized market (Khudair, 2009: 46).

Sixth: The essential elements for the success of the securities market

There are a number of ingredients that help in the success of the market process and its effective role, including (Khudair, 2009: 46).

1- The existence of a free economic system characterized by the presence of a profit incentive that encourages individuals to run their money in the hope of its growth.

2- Existence of a legislative, regulatory and regulatory framework of a flexible and adequate tax system capable of keeping pace with financial and economic developments and changes related to the securities markets.

3- The presence of specialized brokerage firms that have the ability to analyze the financial conditions of companies listed on the stock market.

4- The necessity of providing investment awareness and scientific methods in analyzing the information of the investors.

5- The presence of a large number of national and foreign banks and investment companies that contribute to stimulating financial transactions in the market.

6- The high saving rate when singling out.

7- The existence of a minimum of political and social stability within the country.

Seventh: The relationship between oil prices and stock prices

The financial markets in the oil exporting countries are clearly affected by the changes that occur in the international oil prices, as it constitutes the income that it receives through the process of exporting oil, which is a large percentage of the state's revenues. When oil prices increase, the state's treasury of money increases, which drives the expansion of current and capital expenditures. The increase in spending leads to the revitalization of the economy in terms of increased demand and increased consumption, and this reflects positively on shareholding companies, as the demand increases on the services provided by the state and as a result, it rises Its revenues and sales achieve high proportions of profits, which means an increase in share prices. On the other hand, the increase in government spending leads to an increase in liquidity for the economy, which means that part of this liquidity will go to the financial markets, and thus the demand for shares increases and then their prices rise.

In the event of a reversal, which is represented by the drop in oil prices globally, governments will want to follow strict financial policies in the process of reducing spending and postponing some high-cost capital projects to avoid a budget deficit and the state may resort to other policies such as imposing taxes to compensate for the shortfall in revenue due to Low oil revenues due to lower oil prices. It reflects negatively on the stock markets due to the lack of liquidity, so the investor tends to sell the shares to meet the need or the shortage of money that can be used in other investments, and here it is necessary to pay attention to the impact of low oil prices and their high as we mentioned before, it applies to the countries that export oil and whose budget depends Significantly and clearly on oil revenues. As for the countries that import oil, the process will have a reversal, as the decline in global oil prices will have a clear and positive impact, and high oil prices will have a negative impact on their economy and, consequently, on their financial markets The following table (1) illustrates this relationship:

Table (1)
Descriptive statistics scale for search variables

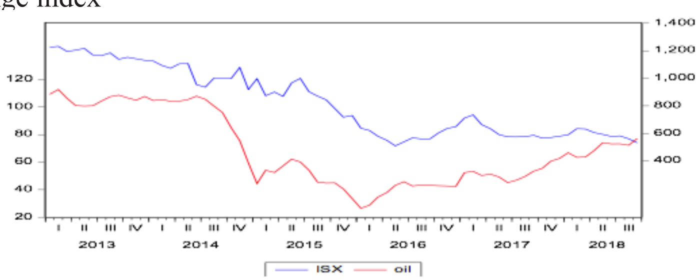
the scale	Oil prices	Market index
The average	68.94899	822.2575
standard deviation	26.34566	241.2804
The most valuable	112.8	1232.7
less value	26.5	510.23
Term	86.3	722.47

Eighth: The relationship between oil prices and the general index of the financial market

Table (1) and Figure (1) show that the appropriate model for estimating the relationship between low oil prices and the Iraq Stock Exchange Index is the model (ARDL) of the rank (1.0) and as Figure 2 confirms that the lowest peak of the AIC standard is the model above

1- ARDL prototype estimate

Figure (1) the relationship between low oil prices and the Iraq Stock Exchange index



Source: Eviews Program Outputs

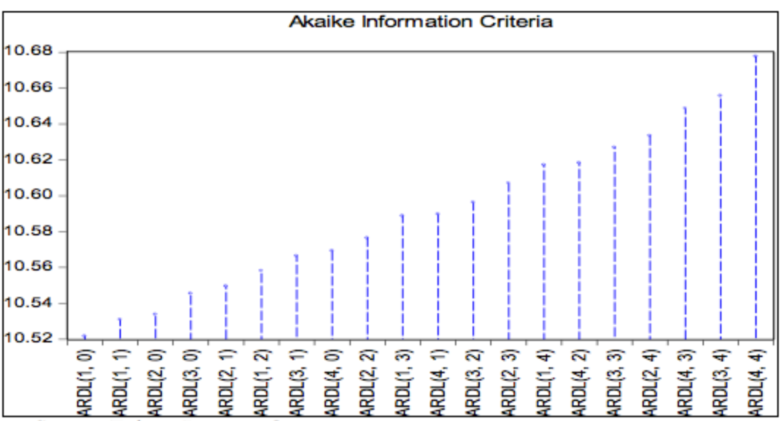
Figure (1) shows the direct trends between the decline in oil prices and the general index of the financial market in Iraq during the monthly period from 2013 to 2018. We also note the lowest price of a barrel of oil that has, after a period of two months or more, the lowest decrease in the general index of the financial market, as the stocks indicate in the figure (1).

Table (2)

Selected Model: ARDL(1, 0)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
ISX(-1)	0.736941	0.076866	9.587284	0.000
OIL	0.947651	0.341417	2.775641	0.007
C	212.918	78.13539	2.724988	0.008
@TREND	-2.042963	0.779302	-2.621529	0.011
R-squared	0.967	Mean dependent var		816.313
Adjusted R-squared	0.966	S.D. dependent var		239.748
S.E. of regression	44.363	Akaike info criterion		10.480
Sum squared resid	125956.000	Schwarz criterion		10.610
Log likelihood	-352.310	Hannan-Quinn criter		10.531
F-statistic	630.933	Durbin-Watson stat		2.235
Prob(F-statistic)	0.000			

Source: Eviews Program Outputs

Figure (2) Different ARDL models according to the AIC standard



Source: Eviews Program Outputs

2- Joint integration boundary test results.

The boundary test shows that the calculated F is greater than the tabular F at a (10%) level of significance and this shows a common complementarity between the drop in oil prices and the Iraq Stock Exchange Index(2013-2017).

(Table 2)Boundary Test Results

ARDL Bounds Test		
Test Statistic	Value	k
F-statistic	6.88489	1
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	5.59	6.26
5%	6.56	7.3
2.50%	7.46	8.27
1%	8.74	9.63

Source: Eviews Program Outputs

3- Long and short-term response

The results of Table (3) show that error correction information shows that the imbalance was corrected during the period (-0-26) of time, as this parameter is a significant error correction at a level less than (0.01). This confirms the existence of a balance and a long-term relationship between low oil prices and the general index of the Iraqi financial market.Also, short-term information (0.98) is a positive response between oil prices and the general index of the Iraqi market in the short term.

As for the results of a long-term equation, it shows a direct response between oil prices and market indicators at a lower level of significance (0.01) and that the relationship is direct, which means accepting the basic hypothesis that low oil prices lead to a decrease in the general index of the Iraq Stock Exchange during the monthly period of (2013-2018).

Table (3)
Response of the general market index in the short and long term

ARDL Cointegrating And Long Run Form				
Dependent Variable: ISX				
Cointegrating Form			Short run	
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(OIL)	0.948	0.341	2.776	0.007
D(@TREND())	-2.043	0.779	-2.622	0.011
CointEq(-1)	-0.263	0.077	-3.422	0.001
Cointeq = ISX - (3.6024*OIL + 809.3924 -7.7662*@TREND)				
Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
OIL	3.602	1.041	3.459	0.001
C	809.392	114.399	7.075	0.000
@TREND	-7.766	1.396	-5.564	0.000

Source: Eviews Program Outputs

4- Standard tests

A-LM Self-Test

Table (4) of the LM self-test shows acceptance of the null hypothesis, that is, the absence of a problem of self-correlation of the rest of the model, as well as the absence of a problem of inconsistency of contrast for the rest of the model, according to the ARCH test because the calculated value of F is not significant.

Table (4)Self-correlation test and contrast homogeneity test

Breusch-Godfrey Serial Correlation LM Test			
F-statistic	1.178208	Prob. F(2,62)	
Obs*R-squared	2.489827	Prob. Chi-Square(2)	
Heteroskedasticity Test: ARCH			
F-statistic	1.981754	Prob. F(3,61)	
Obs*R-squared	5.772507	Prob. Chi-Square(3)	

Source: Eviews Program Outputs

B-RESET Precision Diagnostic Test Form

Table (5) also shows that the results of the model diagnostic accuracy test and the choice of the independent variable are correct according to the RESET test

Table (5)Model Diagnostic Test

Ramsey RESET Test			
Equation: UNTITLED			
Specification: ISX ISX(-1) OIL C @TREND			
Omitted Variables: Squares of fitted values			
	Value	df	Probability
t-statistic	1.522428	63	0.1329
F-statistic	2.317788	(1, 63)	0.1329

Source: Eviews Program Outputs

Conclusion and recommendations

1- A long-term equilibrium relationship exists between crude oil prices and the general index of the Iraq Stock Exchange during the monthly period 2013 to 2018. This means that the fluctuations in the price of crude oil indirectly affect the performance of the financial market.

2- There is a direct response between the changes in crude oil prices and the general index of the financial market in Iraq, which means the negative effects that are clearly reflected on the financial market, in addition to the direct effects on the real economic sectors, which exacerbate the problem of the economy, as a rentier economy, so you should pay attention to The importance of revitalizing the other economic sectors, the industrial and agricultural sectors, in order to absorb the shocks in the oil sector.

3- The decline in oil prices harms the Iraqi economy and exacerbates its budget deficit, especially as its economy depends (95%) on oil imports. The features of the Iraqi economy have started to falter due to the collapse of oil prices.

4- Iraq suffers from high economic, political and operational risks, whether in the short or medium term. Which reflected on the Iraqi market for securities

5- The decline in oil prices has a major impact in reducing investment expenditures due to the deficit caused by the drop in oil prices.

Chapter fore

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The appendices

Appendix (1) the study data

ISX	oil		ISX	oil	
1226.5	109.30	Jan,2013	730.56	33.60	Dec,2015
1232.7	112.80	Feb,2013	638.54	26.50	Jan,2016
1195.7	106.40	Mar,2013	621.93	28.70	Feb,2016
1204.8	101.10	Apr,2013	579.86	34.70	Mar,2016
1217.8	100.70	May,2013	551.22	37.90	Apr,2016
1170.5	101.80	Jun,2013	510.23	43.20	May,2016
1164.4	104.40	Jul,2013	539.47	45.80	Jun,2016
1185.7	107.50	Aug,2013	568.77	42.70	Jul,2016
1138.9	108.70	Sep,2013	560.73	43.40	Aug,2016
1153.6	106.70	Oct,2013	581.21	43.15	Sep,2016
1142.8	105.00	Nov,2013	604.5	42.90	Oct,2016
1131.5	107.70	Dec,2013	636.28	42.65	Nov,2016
1125.6	104.70	Jan,2014	649.48	42.40	Dec,2016
1093.7	105.40	Feb,2014	712.27	52.40	Jan,2017
1073.6	104.20	Mar,2014	734.84	53.37	Feb,2017
1105.8	104.30	Apr,2014	664.46	50.32	Mar,2017
1108.8	105.40	May,2014	634.98	51.37	Apr,2017
954.8	107.90	Jun,2014	591.44	49.20	May,2017
936.6	105.60	Jul,2014	576.11	45.21	Jun,2017
1001.4	100.80	Aug,2014	575.61	46.93	Jul,2017
1002	96.00	Sep,2014	576.58	49.60	Aug,2017
989.1	85.10	Oct,2014	587.22	53.04	Sep,2017
1079.3	75.60	Nov,2014	586.14	55.50	Oct,2017
920	59.50	Dec,2014	571.55	60.74	Nov,2017
998.3	44.40	Jan,2015	580.54	62.74	Dec,2017
874.32	54.10	Feb,2015	590.43	66.95	Jan,2018
900.9	52.50	Mar,2015	635.07	63.48	Feb,2018
870.03	51.30	Apr,2015	632.57	63.76	Mar,2018
967.37	62.20	May,2015	607.01	68.43	Apr,2018
1,000.50	60.20	Jun,2015	593.78	74.11	May,2018
903.4	54.20	Jul,2015	579.06	73.22	Jun,2018
872.03	45.50	Aug,2015	582.44	73.27	Jul,2018
844.9	44.80	Sep,2015	581.44	72.26	Aug,2018
781.58	45.00	Oct,2015	532.1	71.18	Sep,2018
718.64	40.50	Nov,2015			

UNIVERSIDAD
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opción

Revista de Ciencias Humanas y Sociales

Año 35, Especial No. 22 (2019)

Esta revista fue editada en formato digital por el personal de la Oficina de Publicaciones Científicas de la Facultad Experimental de Ciencias, Universidad del Zulia.
Maracaibo - Venezuela

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