SCIENCEDOMAIN *international*
www.sciencedomain.org

SDI Review Form 1.6

PART 1:

Journal Name:	**British Journal of Economics, Management & Trade**
Manuscript Number:	**2013_BJEMT_4098**
Title of the Manuscript:	**OIL PRICE SHOCK, EXCHANGE RATE MISALIGNMENT AND DOMESTIC INVESTMENT IN NIGERIA: A SYNTHESIS EXAMINATION**
Type of the Article	**Research paper**

General guideline for Peer Review process is available in this link:
(http://www.sciencedomain.org/page.php?id=sdi-general-editorial-policy#Peer-Review-Guideline)

- This form has total 7 parts. Kindly note that you should use all the parts of this review form.

SDI Review Form 1.6

PART 2: Review Comments

	Reviewer's comment	**Author's comment** *(if agreed with reviewer, correct the manuscript and highlight that part in the manuscript. It is mandatory that authors should write his/her feedback here)*
Compulsory REVISION comments	1. **On line no.128-129, the objective of the study is to examine the systematic relationship between RER misalignment and oil price. However, there is no empirical testing made to attain this objective. Suggestion: Use the exchange rate misalignment theory to compute the effect of oil price on RER misalignment. The commonly used method is the behavioural equilibrium exchange rate method (BEER) by Clark and MacDonald (1998, 2003). Other theories to estimate the RER misalignment can be used. For example PPP, UIP, NATREX and many more.**	Real exchange rates (measurement of RER follows the approach by Clark and MacDonald (1998).
	2. **On page 134-135, the objective of the paper is to examine the long run relationship between oil price and exchange rate fluctuation. The authors used VAR and cointegration test. If there is cointegration, we normally proceed to VECM to estimate the long run relationship. VAR is used when cointegration could not be established. Suggestion: To examine the long run relationship, use VECM.**	The paper has reverted to using the asymmetric VAR model to measure the response of the variables to oil price shock as described in the objective of the paper. Johansen cointegration test was performed to establish the existence of a long run relationship amongst the variables.
	3. **The authors did not state the frequency of the data. Suggestion: Please state explicitly the**	The study specified a period from 1970 – 2010, thus giving us the 40 years sample

	frequency and length of the data. Example: 1984:Q1- 2012:Q3. **4. The GARCH (1,1) results in Table 3 do not suggest anything on the fluctuations driven by oil prices. Discussions made on lines 551-559 is unsupported by empirical testing especially on line 554. Suggestion: When the authors run GARCH (1,1), they could include oil prices as one of the conditions.** **5. The conclusion made on lines556-559 is unclear. How did the authors arrive to this conclusion? Suggestion: Please clarify.** **6. Statements on lines 562 and 566 are not empirically proven. Suggestion: Apply VECM/DOLS/FM-OLS/ARDL to demonstrate how oil price affects exchange rate. Show the error correction term to substantiate that deviations from the equilibrium exchange rate could be corrected in the long run. However, the authors must show how the equilibrium RER and misalignments are estimated.** **7. Statements on lines 587-588 are not clear. How did the authors arrive to these inferences? Suggestion: Please clarify.**	period, which is sufficient enough to perform any econometric analysis. The GARCH model has been expounged from the paper and replaced by the impulse response function and variance decomposition model which thus explains the effect of fluctuations in oil price on other variables. The paper now draws its conclusion from the result of the analysis in the study.

SDI Review Form 1.6

Minor REVISION comments	A few inappropriately use words on lines 188, 234, 246, 289. Line 144 – please state other reasons too since this is not the only reason. Line 225 – what do the authors mean by 'non collaborative growth'.	
Optional/General comments	Exchange rate fluctuations are generally made up by exchange rate volatility and/or exchange rate misalignments. The authors may want to focus on either volatility or misalignments or use both. If the authors choose to use exchange rate volatility, the use of GARCH (1,1) should be carefully explain since there are various measures of exchange rate volatility. Similarly, if the authors want to discuss on exchange rate misalignment, then the estimation of the equilibrium RER and RER misalignment should be explicitly shown in the paper. Please use Maths Equation in Words or Latex.	The paper now focuses on the exchange rate volatility as opposed to the previous stance of exchange rate misalignment.