

## **Review report on “Do soaring global oil prices heat up the housing market? Evidence from Malaysia”**

This paper investigates the effects of oil prices on Malaysian housing market. The transmission mechanisms of oil price changes to housing sector for oil-exporting countries (like Malaysia) are discussed in the paper. The author applies several econometric techniques to examine the effects using the quarterly data from Malaysia. The results of causality tests indicate that oil prices help to predict Malaysian housing prices and the impulse response functions show that shocks in oil prices have positive effects on Malaysian housing prices.

Topic is interesting and motivation is well discussed. I have some comments on data and econometric techniques.

- Data should be described and analysed in more details, possibly using figures to show the patterns of series across the time and giving summary statistics. The interest rates do not need to be transformed by natural logarithm.
- All the models used should be given explicitly.
- The author stresses the importance of structural breaks in implementing cointegration tests, which is good. But if there are no structural breaks in the long-run relationship (according to the results of Table 2), it is better to also conduct the conventional cointegration tests as the complement to Gregory and Hansen's test.
- Compared with the conventional Granger causality test which is normally applied to stationary series, Toda-Yamamoto (TY)'s causality test is robust for the integration and cointegration of the process. But it is not appropriate to interpret the results of TY's test as the long-run causality.
- I suggest using AIC to choose the lags for causality tests, as AIC is best for prediction.
- Since there is no cointegration relationship among the variables, the author may also perform the conventional Granger causality test using the first difference of variables. In addition, to distinguish between short-run and long-run causality, the author can test Granger causality at different horizons using the method proposed by Dufour and Renault (1998) and Dufour, Pelletier and Renault (2006).
- One of the core references, Toda and Yamamoto (1995) is missing from the reference list.