Exploratory Analytics and Time Series Modeling on Petroleum product price Challenge

Abhinav Pathak

```
suppressPackageStartupMessages({
    library(tidyr)
    library(gplot2)
    library(readxl)
    library(Quandl)
    library(gridExtra)
    library(TSA)
    library(forecast)
    library(sqldf)
})
```

Loading data from excel file

```
crude_oil_data <- read_excel("Jr._Data_Analyst_Project_File.xls", sheet = "Data 1", skip = 2)
colnames(crude_oil_data) <- c("Date", "crude_cushing_WTI", "crude_brent_eu")

conv_gasoln_data <- read_excel("Jr._Data_Analyst_Project_File.xls", sheet = "Data 2", skip = 2)
colnames(conv_gasoln_data) <- c("Date", "conv_gaso_ny", "conv_gaso_USgulf")

reg_gasoln_data <- read_excel("Jr._Data_Analyst_Project_File.xls", sheet = "Data 3", skip = 2)
colnames(reg_gasoln_data) <- c("Date", "reg_gas_la")

heat_oil_data <- read_excel("Jr._Data_Analyst_Project_File.xls", sheet = "Data 4", skip = 2)
colnames(heat_oil_data) <- c("Date", "heat_oil_ny")

sulfr_dsl_data <- read_excel("Jr._Data_Analyst_Project_File.xls", sheet = "Data 5", skip = 2)
colnames(sulfr_dsl_data) <- c("Date", "sulfr_dsl_ny", "sulfr_dsl_USgulf", "sulfr_dsl_la")

kersn_jet_data <- read_excel("Jr._Data_Analyst_Project_File.xls", sheet = "Data 6", skip = 2)
colnames(kersn_jet_data) <- c("Date", "kersn_jet_USgulf")

propn_data <- read_excel("Jr._Data_Analyst_Project_File.xls", sheet = "Data 7", skip = 2)
colnames(propn_data) <- c("Date", "propn_montBel")</pre>
```

Putting all the data in one table

Question 1

Visualizing the change in prices across time

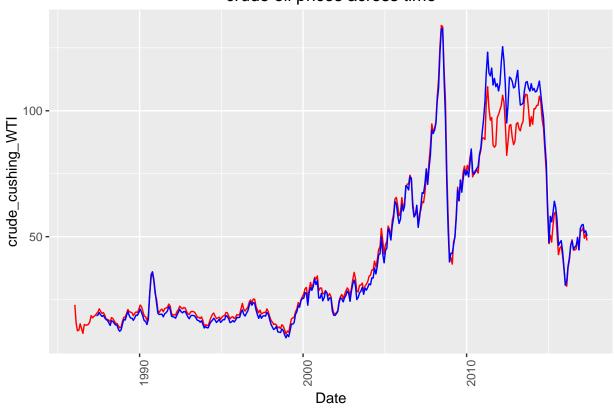
```
g1 <- ggplot(crude_oil_data) +</pre>
  geom_line(aes(x= Date, y= crude_cushing_WTI, group =1 ), color = "red") +
  geom_line(aes(x= Date, y= crude_brent_eu ), color = "blue") +
  ggtitle("crude oil prices across time") +
  theme(axis.text.x = element_text(angle = 90, hjust = 1))
g2 <- ggplot(conv_gasoln_data) +</pre>
  geom_line(aes(x= Date, y= conv_gaso_ny , group =1 ), color = "red") +
  geom_line(aes(x= Date, y= conv_gaso_USgulf ), color = "blue") +
  ggtitle("Conventional gasoline prices across time")
g3 <- ggplot(reg_gasoln_data) +
  geom_line(aes(x= Date, y= reg_gas_la , group =1 ), color = "red") +
  ggtitle("Regular gasoline prices across time")
g4 <- ggplot(heat_oil_data) +
  geom_line(aes(x= Date, y= heat_oil_ny , group =1 ), color = "red") +
  ggtitle("Heat oil prices across time")
g5 <- ggplot(sulfr_dsl_data) +
  geom_line(aes(x= Date, y= sulfr_dsl_ny , group =1 ), color = "red") +
   geom_line(aes(x= Date, y= sulfr_dsl_USgulf), color = "blue") +
    geom_line(aes(x= Date, y= sulfr_dsl_la), color = "green") +
  ggtitle("Sulfur Diesel prices across time")
g6 <- ggplot(kersn_jet_data) +</pre>
  geom_line(aes(x= Date, y= kersn_jet_USgulf , group =1 ), color = "red") +
  ggtitle("Kerosene Jet fuel prices across time")
g7 <- ggplot(propn_data) +
```

```
geom_line(aes(x= Date, y= propn_montBel , group =1 ), color = "red") +
ggtitle("Propane fuel prices across time")
```

g1

- ## Warning: Removed 1 rows containing missing values (geom_path).
- ## Warning: Removed 17 rows containing missing values (geom_path).

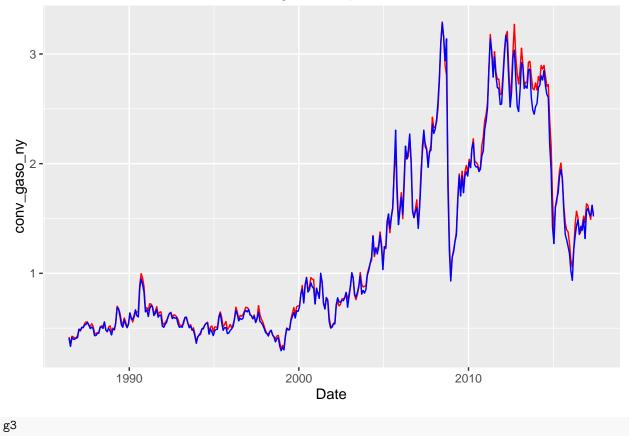
crude oil prices across time

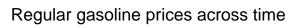


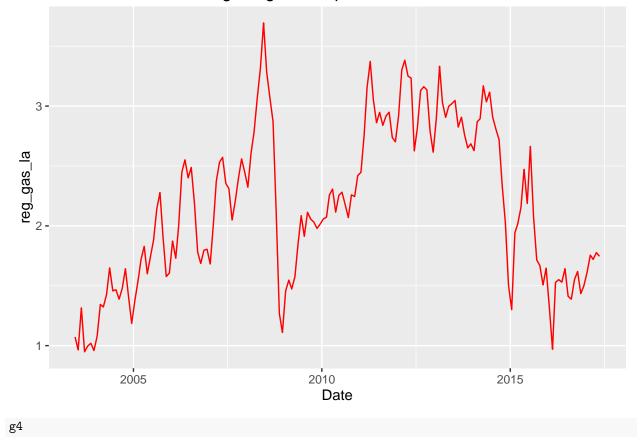
g2

- ## Warning: Removed 1 rows containing missing values (geom_path).
- ## Warning: Removed 1 rows containing missing values (geom_path).

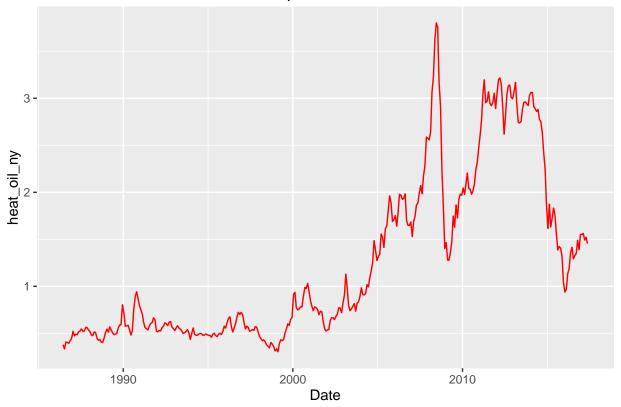






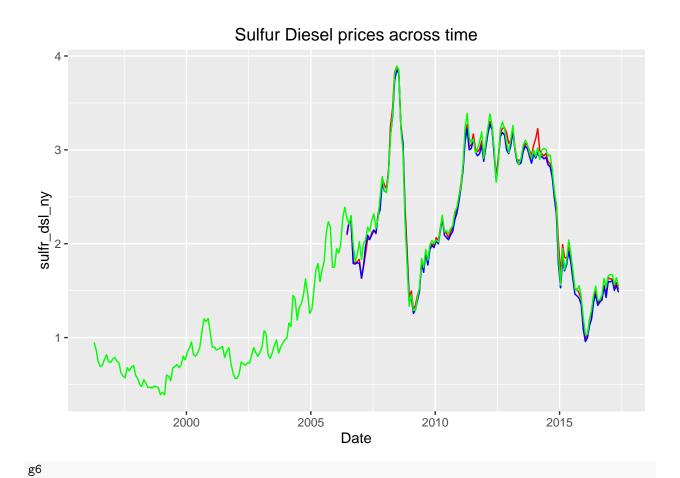


Heat oil prices across time

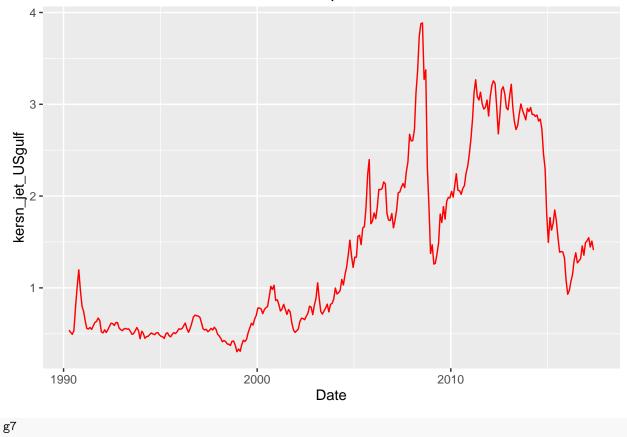


g5

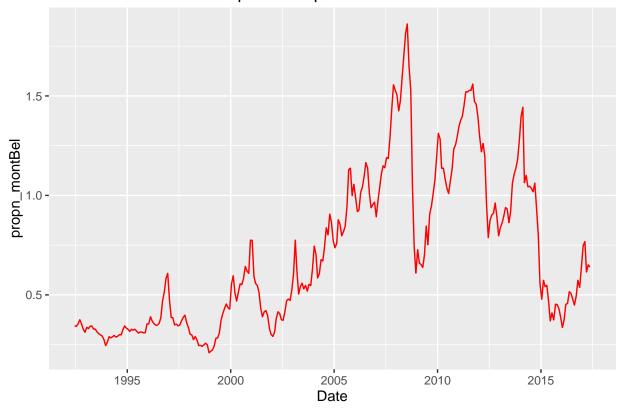
- ## Warning: Removed 123 rows containing missing values (geom_path).
- ## Warning: Removed 123 rows containing missing values (geom_path).
- ## Warning: Removed 1 rows containing missing values (geom_path).



Kerosene Jet fuel prices across time

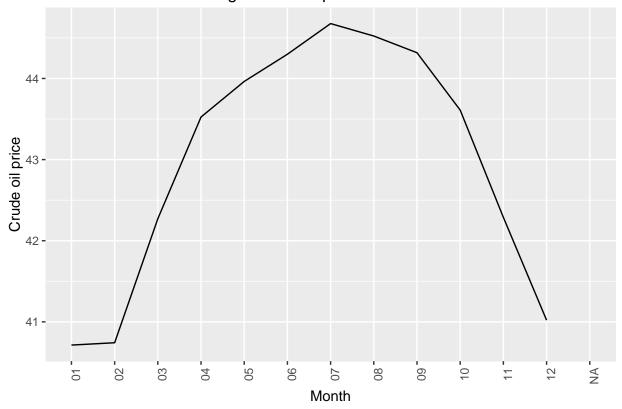


Propane fuel prices across time



- Insight1: There is a similar trend acoss all types of oil prices. Since 2002, oil prices had been rising consistently.
- \bullet Insight2: Oil Prices reached its peak in July 2008 and prices were very high on average between 2008 and 2014
- Insight3: Prices have not reduced significantly compared to the average price of last 5-6 year

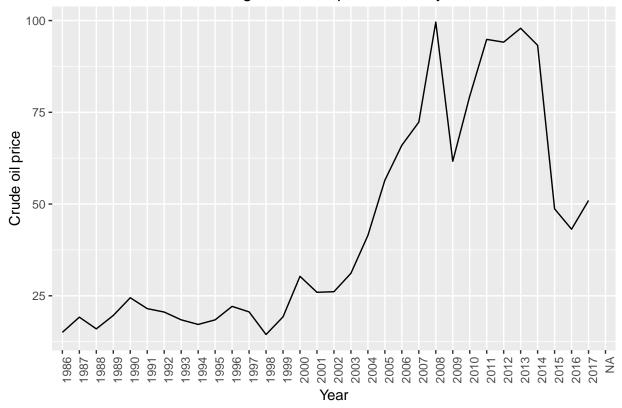
Average crude oil price across months



• Insight4: Price of the crude oil is generally higher in summer season (June-July-August) and low in winters (Dec -Jan)

Price across years

Average crude oil price across year



• Insight5: Price of petroleumn product was at its peak between 2008 and 2014

Question 2

Loading external data using Quandl package

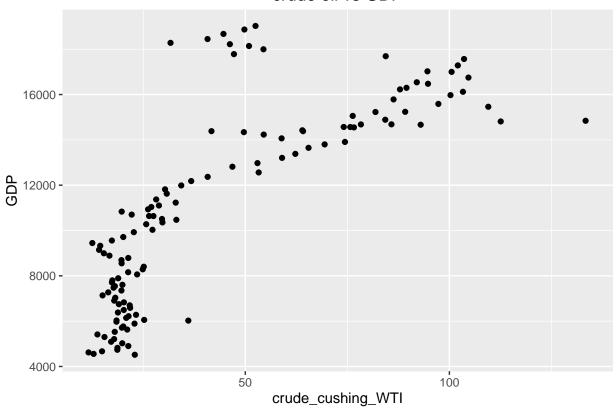
```
GDP_data <- Quand1("FRED/GDP", collapse = "monthly", start_date="1986-01-01", end_date="2017-01-01") %>
CPI_data = Quand1("FRED/CPIAUCSL", collapse = "monthly", start_date="1986-01-01", end_date="2017-01-01
Inflation_data = Quand1("WORLDBANK/USA_FP_CPI_TOTL_ZG", collapse = "monthly", start_date="1986-01-01",

External_data <- GDP_data %>%
   full_join(CPI_data, by = c("month" = "month", "year"="year")) %>%
   full_join(Inflation_data, by = c("month" = "month", "year"="year"))

petroleum_product_data.external <- petroleum_product_data %>%
   full_join(External_data, by = c("month" = "month", "year"="year"))

ggplot(petroleum_product_data.external) +
   geom_point(aes(x = crude_cushing_WTI, y= GDP )) +
   ggtitle("crude oil vs GDP")
```

crude oil vs GDP



• Oil prices are correlated with the growth of economy

```
ggplot(petroleum_product_data.external) +
  geom_point(aes(x =crude_cushing_WTI, y= CPI )) +
  ggtitle("crude oil vs Inflation")
```

250 - 200 - 150 -

• Oil prices are also increasin with consumer price index. Therefore it is clear that external factors are also dependent in a way on oil prices although nothing can be said about causal relationships and it is just a correlation

crude_cushing_WTI

100

Question 3

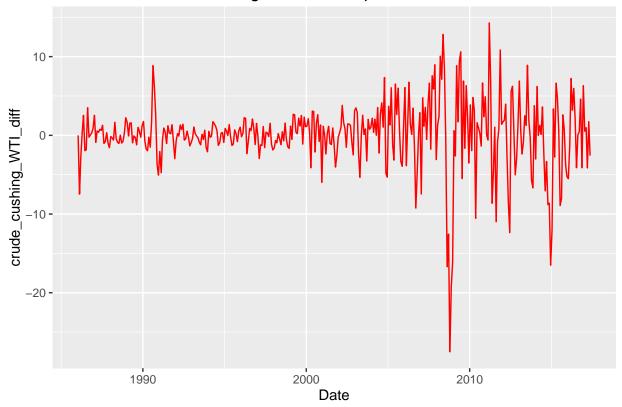
Price changes month over month

```
crude_oil_data$crude_cushing_WTI_diff <- c(0, diff(crude_oil_data$crude_cushing_WTI, lag = 1))
ggplot(crude_oil_data) +
   geom_line(aes(x= Date, y= crude_cushing_WTI_diff), color = "red") +
   ggtitle("Price Change of crude oil prices across time")</pre>
```

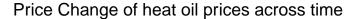
Warning: Removed 1 rows containing missing values (geom_path).

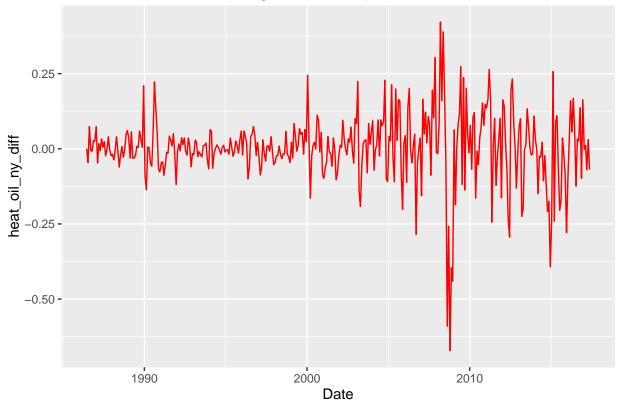
50

Price Change of crude oil prices across time



```
heat_oil_data$heat_oil_ny_diff <- c(0, diff(heat_oil_data$heat_oil_ny, lag = 1))
ggplot(heat_oil_data) +
  geom_line(aes(x= Date, y= heat_oil_ny_diff), color = "red") +
  ggtitle("Price Change of heat oil prices across time")</pre>
```





• Price has changed more abruptly from 2008 to 2015, whereas prior to 2008 the prices were a little stable

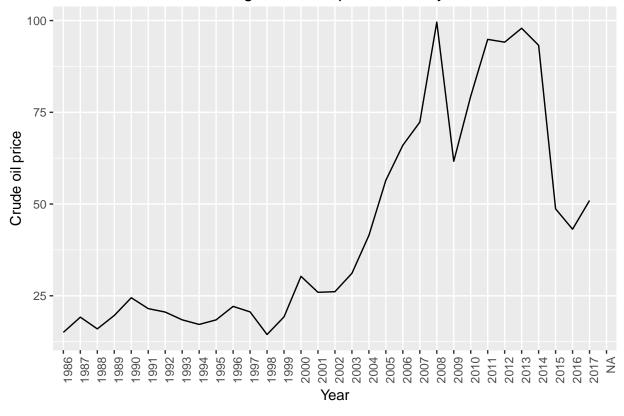
Question 4

Price changes and movement across year

```
petroleum_product_data_byYear <- petroleum_product_data %>%
  group by(year) %>%
  summarise(crude_cushing_WTI = mean(crude_cushing_WTI, na.rm = TRUE),
            heat_oil_ny = mean(heat_oil_ny, na.rm = TRUE),
            propn_montBel =mean(propn_montBel, na.rm = TRUE),
            reg gas la = mean(reg gas la, na.rm = TRUE),
            conv_gaso_ny = mean(conv_gaso_ny, na.rm = TRUE),
            sulfr_dsl_ny = mean(sulfr_dsl_ny, na.rm = TRUE),
            kersn_jet_USgulf = mean(kersn_jet_USgulf, na.rm = TRUE))
h1 <- ggplot(petroleum_product_data_byYear) +</pre>
    geom_line(aes(x= factor(year), y = crude_cushing_WTI, group = 1 )) +
    labs(x = "Year", y = "Crude oil price", title = "Average crude oil price across year") +
  theme(axis.text.x = element_text(angle = 90, hjust = 1))
h2 <- ggplot(petroleum_product_data_byYear) +</pre>
    geom_line(aes(x= factor(year), y = heat_oil_ny, group = 1 )) +
    labs(x = "Year", y = "heat oil ny", title = "Average heat oil price across year") +
```

```
theme(axis.text.x = element_text(angle = 90, hjust = 1))
h3 <- ggplot(petroleum_product_data_byYear) +
    geom_line(aes(x= factor(year), y = propn_montBel, group = 1 )) +
    labs(x = "Year", y = "price", title = "Average propane price across year") +
  theme(axis.text.x = element_text(angle = 90, hjust = 1))
h4 <- ggplot(petroleum_product_data_byYear) +</pre>
    geom_line(aes(x= factor(year), y = reg_gas_la, group = 1 )) +
    labs(x = "Year", y = "price", title = "Average regular gasoline price across year") +
  theme(axis.text.x = element_text(angle = 90, hjust = 1))
h5 <- ggplot(petroleum_product_data_byYear) +</pre>
    geom_line(aes(x= factor(year), y = conv_gaso_ny, group = 1 )) +
    labs(x = "Year", y = "price", title = "Average conventional gasoline price across year") +
                                                                                                   theme(
h6 <- ggplot(petroleum_product_data_byYear) +</pre>
    geom_line(aes(x= factor(year), y = sulfr_dsl_ny, group = 1 )) +
    labs(x = "Year", y = "price", title = "Average sulfur diesel price across year") +
  theme(axis.text.x = element_text(angle = 90, hjust = 1))
h7 <- ggplot(petroleum_product_data_byYear) +
    geom_line(aes(x= factor(year), y = kersn_jet_USgulf, group = 1 )) +
    labs(x = "Year", y = "price", title = "Average kerosene jet price across year") +
  theme(axis.text.x = element_text(angle = 90, hjust = 1))
```

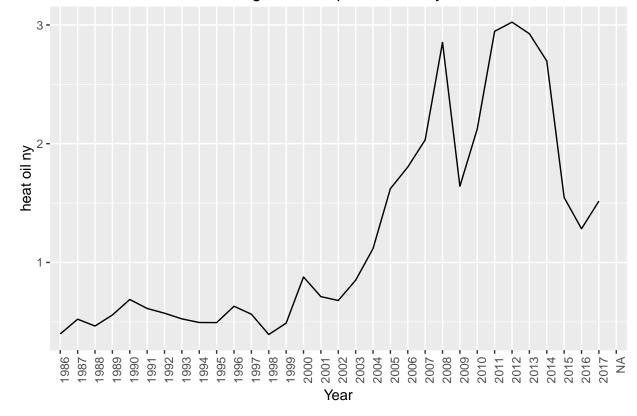
Average crude oil price across year



Warning: Removed 1 rows containing missing values (geom_path).

h2

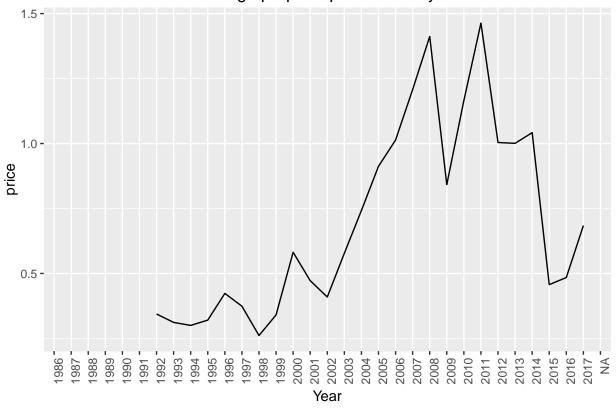
Average heat oil price across year



Warning: Removed 7 rows containing missing values (geom_path).

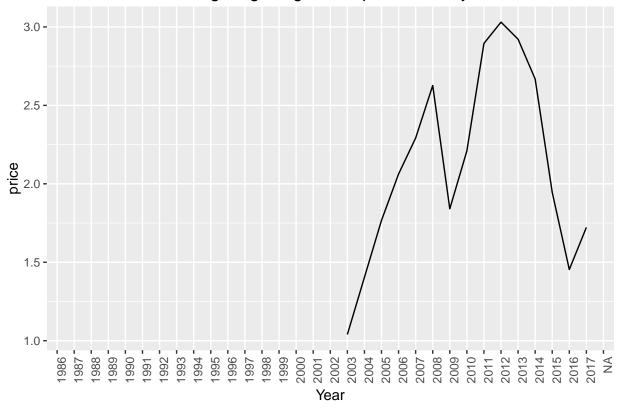
h3

Average propane price across year



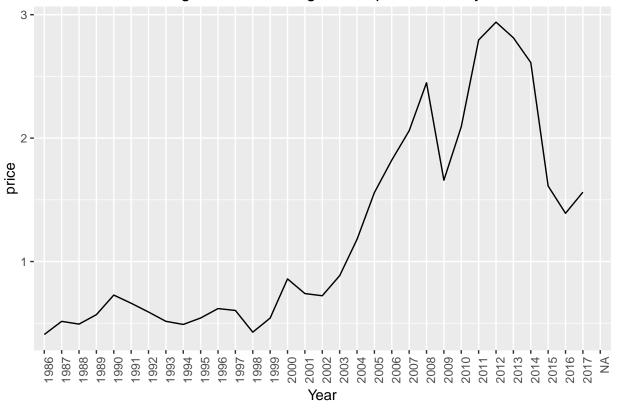
h4

Average regular gasoline price across year



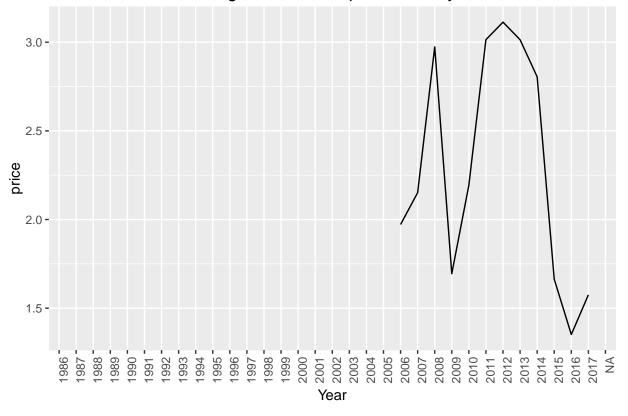
h5

Average conventional gasoline price across year



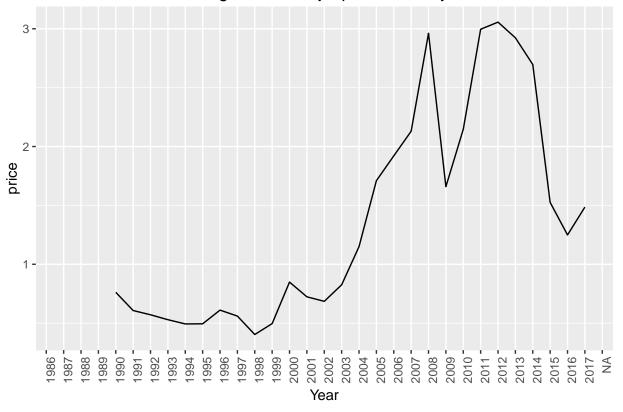
h6

Average sulfur diesel price across year



h7

Average kerosene jet price across year



^{*} Year wise trend has been similar for all the petroleum producrs with highers between 2008 and 2014

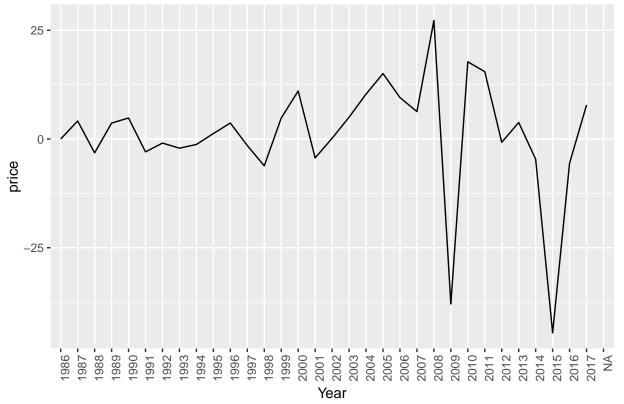
Price movement

```
petroleum_product_data_byYear_diff <- petroleum_product_data_byYear %>%
  mutate(crude_cushing_WTI = c(0, diff(crude_cushing_WTI, lag =1)),
            heat_oil_ny = c(0, diff(heat_oil_ny, lag =1)),
            propn_montBel = c(0, diff(propn_montBel, lag =1)),
            reg_gas_la = c(0, diff(reg_gas_la, lag =1)),
            conv_gaso_ny = c(0, diff(conv_gaso_ny, lag =1)),
            sulfr_dsl_ny = c(0, diff(sulfr_dsl_ny, lag =1)),
            kersn_jet_USgulf = c(0, diff(kersn_jet_USgulf, lag =1)))
d1 <- ggplot(petroleum_product_data_byYear_diff) +</pre>
    geom_line(aes(x= factor(year), y = crude_cushing_WTI, group = 1 )) +
   labs(x = "Year", y = "price", title = "crude oil price movement by year") +
  theme(axis.text.x = element_text(angle = 90, hjust = 1))
d2 <- ggplot(petroleum_product_data_byYear_diff) +</pre>
   geom line(aes(x= factor(year), y = heat oil ny, group = 1 )) +
    labs(x = "Year", y = "price", title = "heat oil price movement by year") +
  theme(axis.text.x = element_text(angle = 90, hjust = 1))
d3 <- ggplot(petroleum_product_data_byYear_diff) +</pre>
    geom_line(aes(x= factor(year), y = propn_montBel, group = 1 )) +
```

```
labs(x = "Year", y = "price", title = "propane price movement by year") +
  theme(axis.text.x = element_text(angle = 90, hjust = 1))
d4 <- ggplot(petroleum_product_data_byYear_diff) +</pre>
    geom_line(aes(x= factor(year), y = reg_gas_la, group = 1 )) +
    labs(x = "Year", y = "price", title = "regular gasoline price movement across year") +
  theme(axis.text.x = element_text(angle = 90, hjust = 1))
d5 <- ggplot(petroleum_product_data_byYear_diff) +</pre>
    geom_line(aes(x= factor(year), y = conv_gaso_ny, group = 1 )) +
   labs(x = "Year", y = "price", title = "conventional gasoline price movement across year") +
                                                                                                    theme
d6 <- ggplot(petroleum_product_data_byYear_diff) +</pre>
    geom_line(aes(x= factor(year), y = sulfr_dsl_ny, group = 1 )) +
    labs(x = "Year", y = "price", title = "sulfur diesel price movement across year") +
  theme(axis.text.x = element_text(angle = 90, hjust = 1))
d7 <- ggplot(petroleum_product_data_byYear_diff) +</pre>
    geom_line(aes(x= factor(year), y = kersn_jet_USgulf, group = 1 )) +
    labs(x = "Year", y = "price", title = "kerosene jet price movement across year") +
 theme(axis.text.x = element_text(angle = 90, hjust = 1))
d1
```

Warning: Removed 1 rows containing missing values (geom_path).

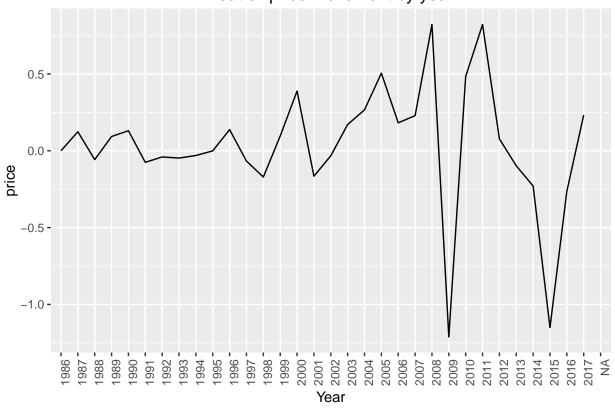
crude oil price movement by year



d2

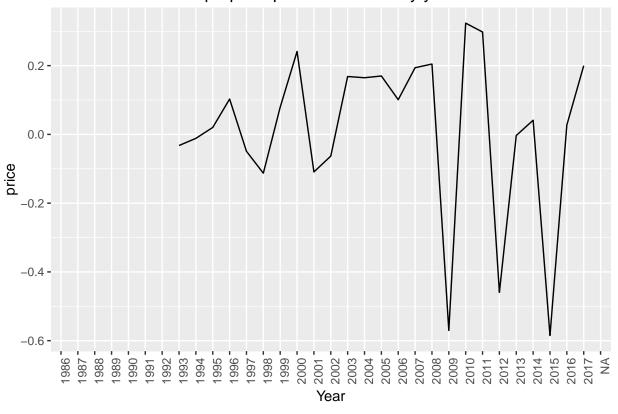
Warning: Removed 1 rows containing missing values (geom_path).

heat oil price movement by year



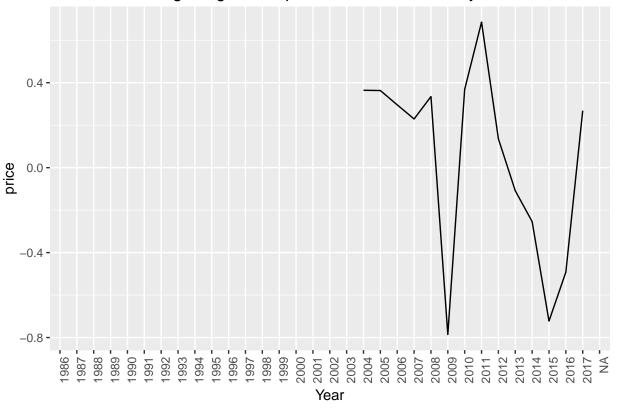
d3

propane price movement by year



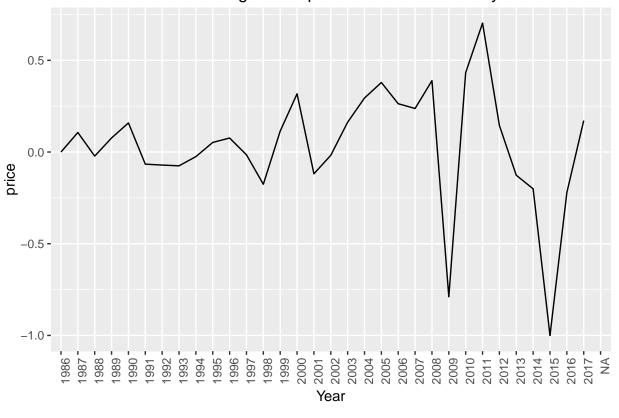
d4

regular gasoline price movement across year



d5

conventional gasoline price movement across year



Warning: Removed 1 rows containing missing values (geom_path).

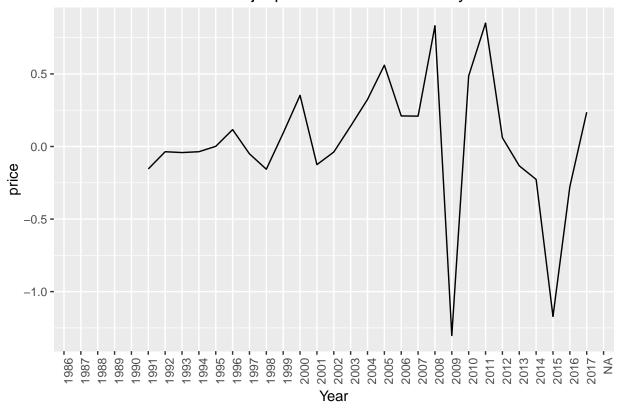
d6

sulfur diesel price movement across year



d7

kerosene jet price movement across year



• Price movement have been volatile in recent years fom 2008 to 2014

Bonus questions

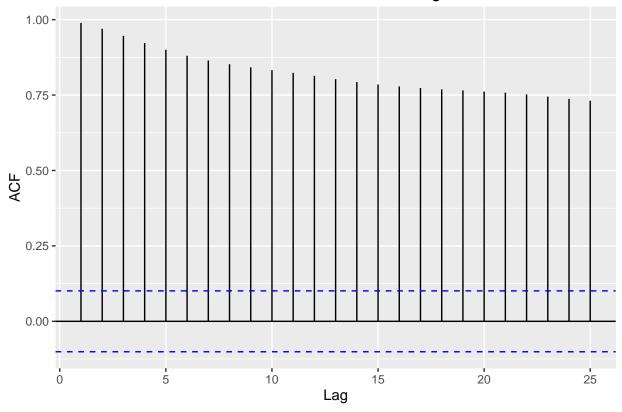
Question 5

Predict 6 months of Crude oil prices

```
crude_oil <- petroleum_product_data %>%
  select(crude_cushing_WTI) %>%
  filter(!is.na(crude_cushing_WTI))

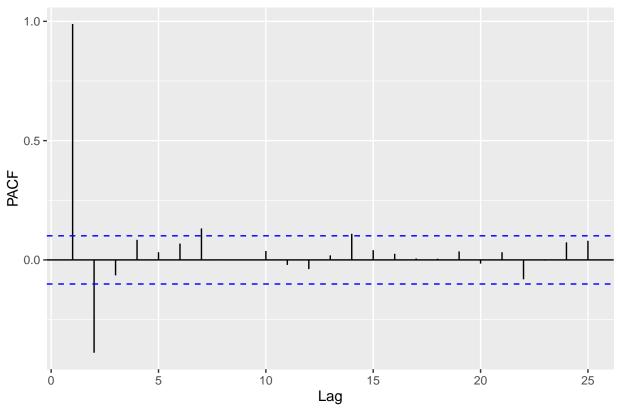
ggAcf(crude_oil$crude_cushing_WTI)
```

Series: crude_oil\$crude_cushing_WTI



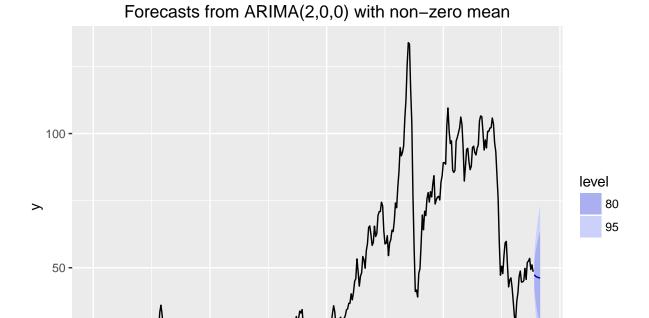
ggPacf(crude_oil\$crude_cushing_WTI)





check for stationarity

```
adf.test(crude_oil$crude_cushing_WTI, alternative = "stationary")
##
    Augmented Dickey-Fuller Test
##
##
## data: crude_oil$crude_cushing_WTI
## Dickey-Fuller = -2.2227, Lag order = 7, p-value = 0.483
## alternative hypothesis: stationary
  • The series is stationary
  • From ACF and PACF plot, it is clear that this is AR2 process
crude_oil.model <- Arima(crude_oil$crude_cushing_WTI,order=c(2,0,0))</pre>
crude_oil.forecast <- forecast(crude_oil.model, h = 6)</pre>
crude_oil.forecast
##
       Point Forecast
                          Lo 80
                                   Hi 80
                                             Lo 95
                                                      Hi 95
## 378
             47.37248 42.29614 52.44883 39.60888 55.13608
## 379
             46.85825 38.22544 55.49105 33.65552 60.06098
             46.58412 35.07006 58.09817 28.97489 64.19334
## 380
## 381
             46.40819 32.52960 60.28679 25.18271 67.63367
             46.27344 30.41246 62.13441 22.01617 70.53070
## 382
             46.15689 28.59899 63.71478 19.30440 73.00937
## 383
```



• According to the forecast, for the next 6 months crude oil prices will vary between 45 and 48

Time

200

100

300

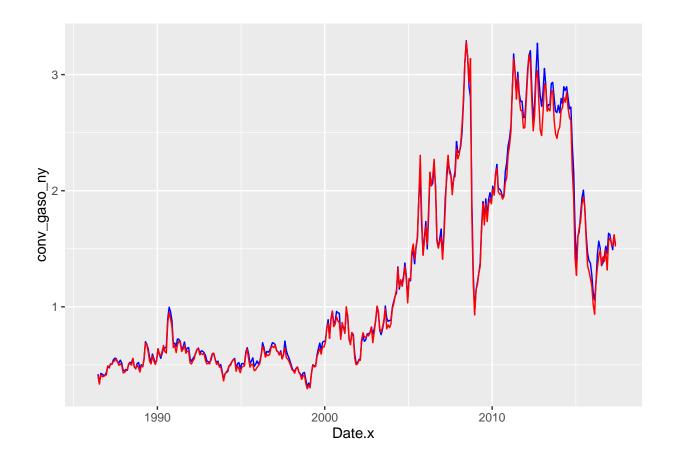
400

Question 6

```
ggplot(petroleum_product_data) +
  geom_line(aes(x = Date.x, y = conv_gaso_ny), color = "blue",show.legend = ) +
    geom_line(aes(x = Date.x, y = conv_gaso_USgulf), color = "red")

## Warning: Removed 6 rows containing missing values (geom_path).

## Warning: Removed 6 rows containing missing values (geom_path).
```



find correlation

```
ny <- petroleum_product_data$conv_gaso_ny
ny[is.na(ny)] <- 0
gulf <- petroleum_product_data$conv_gaso_USgulf
gulf[is.na(gulf)] <- 0
cor(ny,gulf)</pre>
```

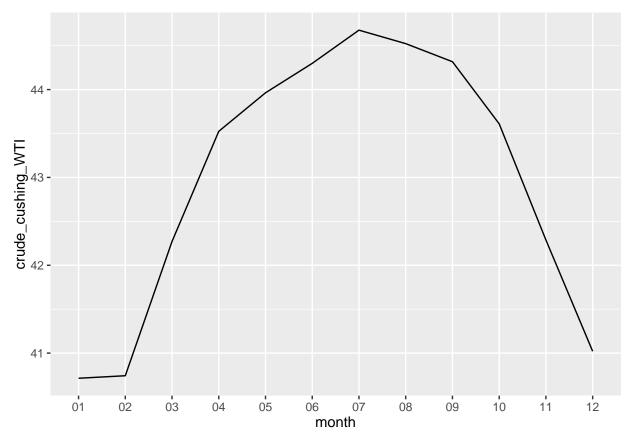
[1] 0.9980751

• Correlation is very high between conventional gasoline prices between Ny and us gulf

Question 7

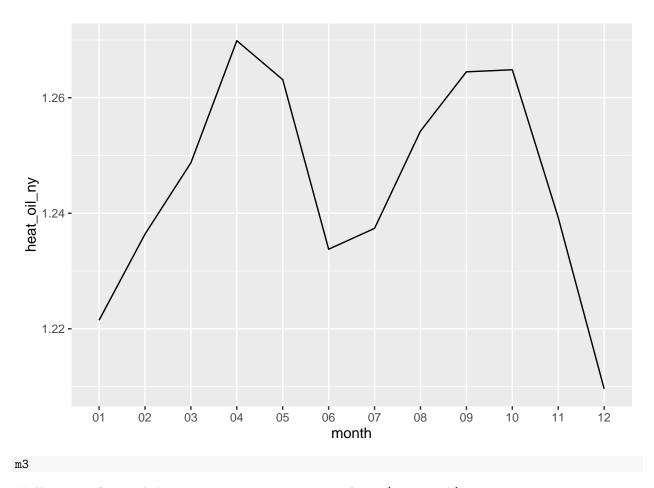
```
m1 <- ggplot(petroleum_product_data_byMonth) +
    geom_line(aes(x= month, y= crude_cushing_WTI, group = 1))
m2 <- ggplot(petroleum_product_data_byMonth) +
    geom_line(aes(x= month, y= heat_oil_ny, group = 1))
m3 <- ggplot(petroleum_product_data_byMonth) +
    geom_line(aes(x= month, y= propn_montBel, group = 1))
m4 <- ggplot(petroleum_product_data_byMonth) +
    geom_line(aes(x= month, y= reg_gas_la, group = 1))
m5 <- ggplot(petroleum_product_data_byMonth) +
    geom_line(aes(x= month, y= conv_gaso_ny, group = 1))
m6<- ggplot(petroleum_product_data_byMonth) +
    geom_line(aes(x= month, y= sulfr_dsl_ny, group = 1))
m7 <- ggplot(petroleum_product_data_byMonth) +
    geom_line(aes(x= month, y= kersn_jet_USgulf, group = 1))
m1</pre>
```

Warning: Removed 1 rows containing missing values (geom_path).

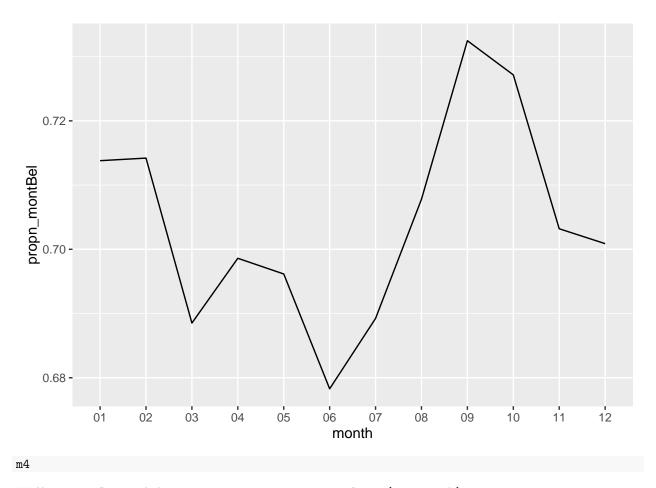


m2

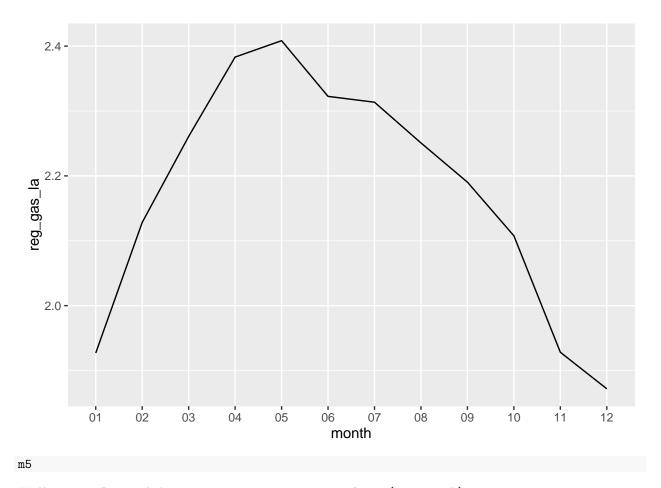
Warning: Removed 1 rows containing missing values (geom_path).



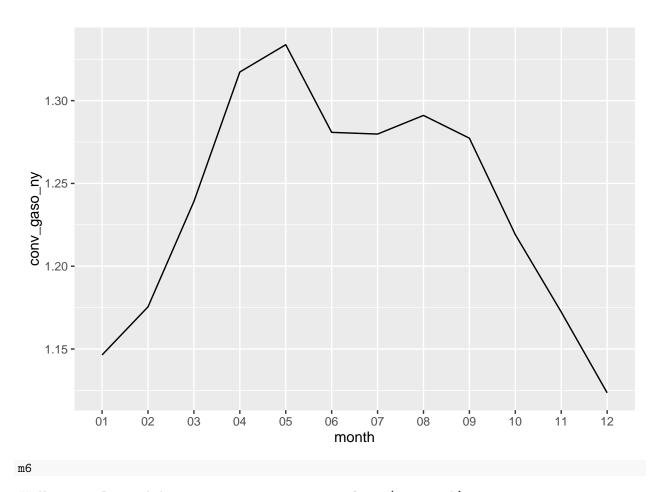
Warning: Removed 1 rows containing missing values (geom_path).



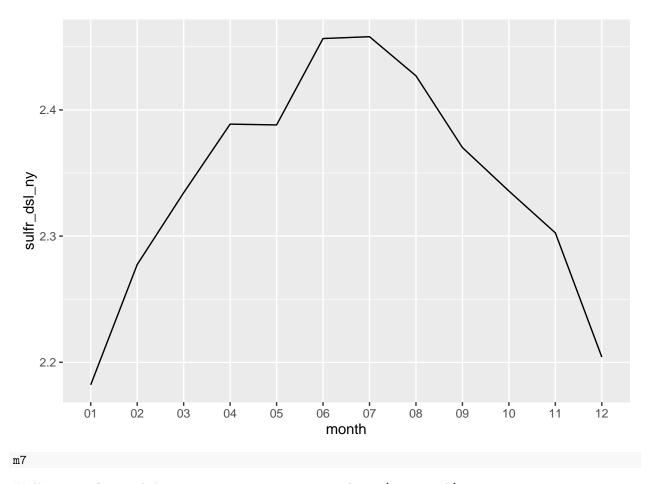
Warning: Removed 1 rows containing missing values (geom_path).



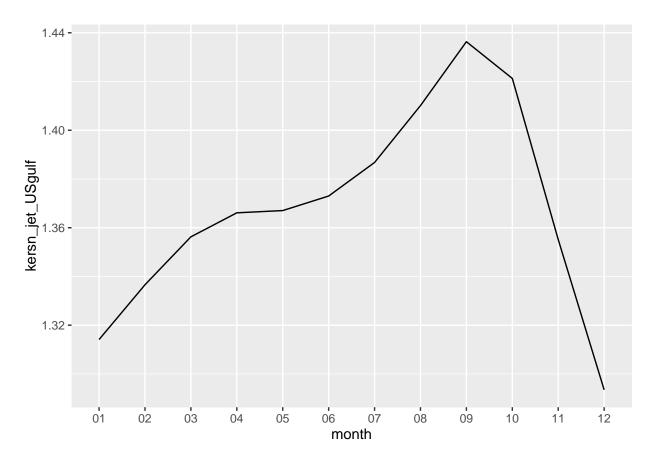
Warning: Removed 1 rows containing missing values (geom_path).



Warning: Removed 1 rows containing missing values (geom_path).



Warning: Removed 1 rows containing missing values (geom_path).

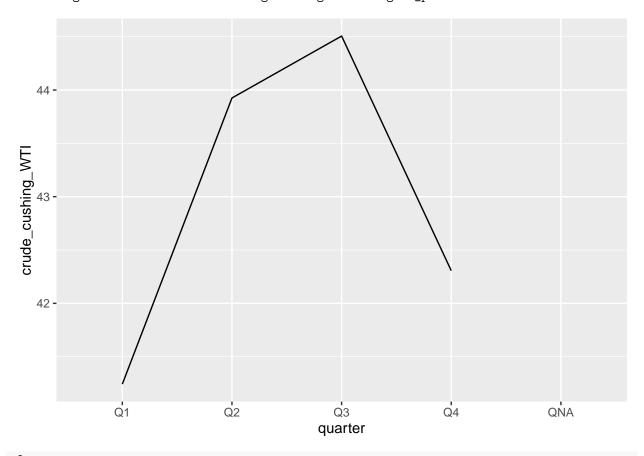


• From all the 7 plots above for different petroleum products, it is clear that prices in December and January are generally lower than other months, Except in the case of propane prices, where is is lowest in the month of June

```
petroleum_product_data_byQtr <- petroleum_product_data %>%
  mutate (quarter = quarters(as.Date(Date.x))) %>%
  group_by(quarter) %>%
  summarise(crude_cushing_WTI = mean(crude_cushing_WTI, na.rm = TRUE),
            heat_oil_ny = mean(heat_oil_ny, na.rm = TRUE),
            propn_montBel =mean(propn_montBel, na.rm = TRUE),
            reg_gas_la = mean(reg_gas_la, na.rm = TRUE),
            conv_gaso_ny = mean(conv_gaso_ny, na.rm = TRUE),
            sulfr_dsl_ny = mean(sulfr_dsl_ny, na.rm = TRUE),
            kersn_jet_USgulf = mean(kersn_jet_USgulf, na.rm = TRUE))
q1 <- ggplot(petroleum_product_data_byQtr) +</pre>
  geom_line(aes(x= quarter, y= crude_cushing_WTI, group = 1))
q2 <- ggplot(petroleum_product_data_byQtr) +</pre>
 geom_line(aes(x= quarter, y= heat_oil_ny, group = 1))
q3 <- ggplot(petroleum_product_data_byQtr) +
  geom_line(aes(x= quarter, y= propn_montBel, group = 1))
q4 <- ggplot(petroleum_product_data_byQtr) +
  geom_line(aes(x= quarter, y= reg_gas_la, group = 1))
q5 <- ggplot(petroleum_product_data_byQtr) +</pre>
  geom_line(aes(x= quarter, y= conv_gaso_ny, group = 1))
q6<- ggplot(petroleum_product_data_byQtr) +</pre>
```

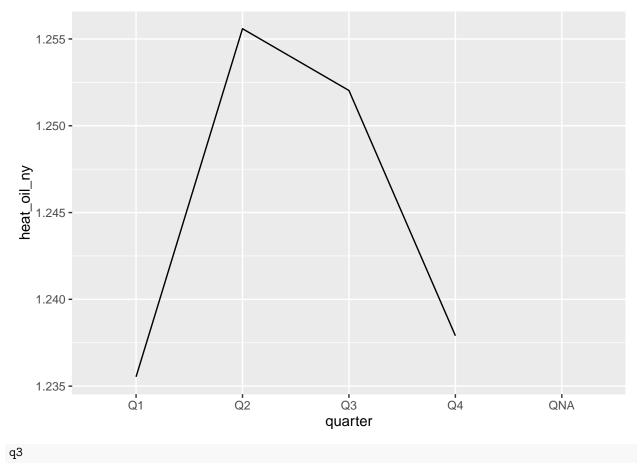
```
geom_line(aes(x= quarter, y= sulfr_dsl_ny, group = 1))
q7 <- ggplot(petroleum_product_data_byQtr) +
  geom_line(aes(x= quarter, y= kersn_jet_USgulf, group = 1))
q1</pre>
```

Warning: Removed 1 rows containing missing values (geom_path).

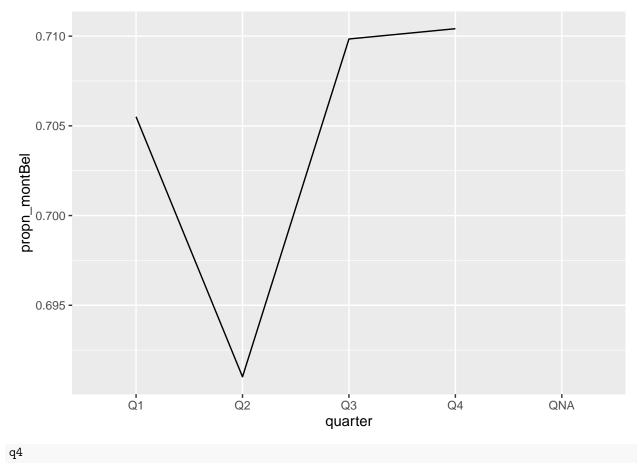


q2

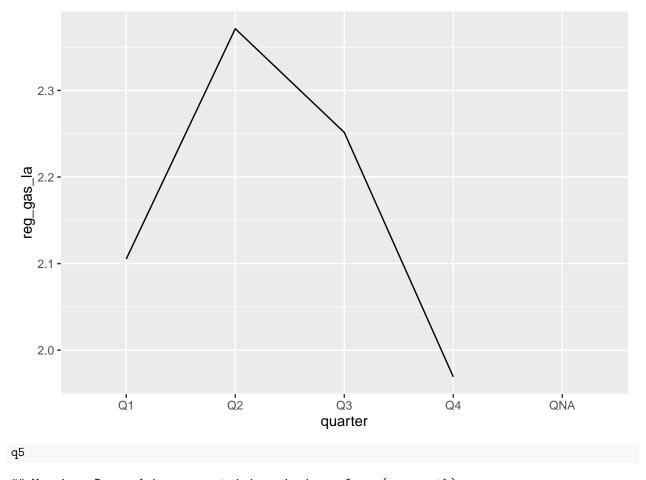
Warning: Removed 1 rows containing missing values (geom_path).



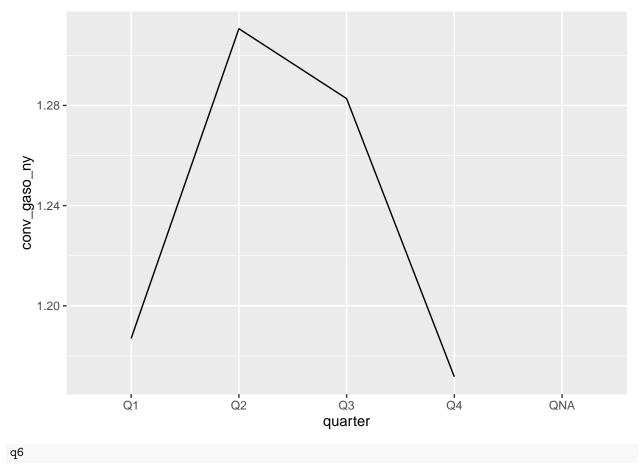
Warning: Removed 1 rows containing missing values (geom_path).



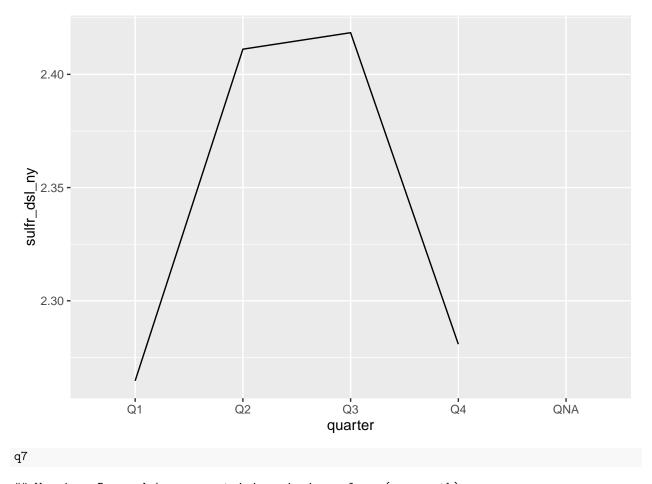
Warning: Removed 1 rows containing missing values (geom_path).



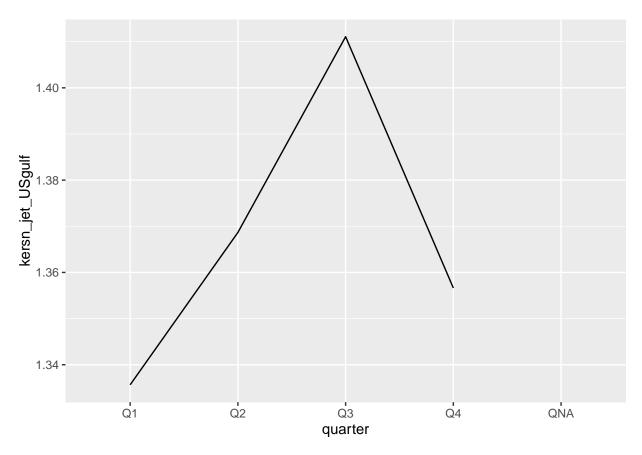
 $\hbox{\tt \#\# Warning: Removed 1 rows containing missing values (geom_path).}$



 $\hbox{\tt \#\# Warning: Removed 1 rows containing missing values (geom_path).}$



 $\hbox{\tt \#\# Warning: Removed 1 rows containing missing values (geom_path).}$



 \bullet Quarter 1 and Quarter 4 are generally the ones with the lowest prices, except propane prices where it is quarter 2 with lowest price