Consider two companies – Royal Dutch Petroleum and Petrobras, with roughly equivalent market capitalizations – about $180 billion, but very different compositions:

Assume that both companies are fairly priced today and that the oil price per barrel is $80.

a. Now assume that a crisis in the middle east causes oil prices to jump to $160/barrel tomorrow. What will happen to the market values of the two companies?
   i. They will both go up by the same amount
   ii. Royal Dutch will go up more than Petrobras
   iii. Petrobras will go up more than Royal Dutch

b. Assume that the crisis passes the day after tomorrow and that oil prices drop back to $80/barrel. What do you foresee happening to the market values of the two companies?
   i. They will both revert back to the current market cap
   ii. They will both be worth more than the current market cap, but Royal Dutch will be worth more.
   iii. They will both be worth more than the current market cap, but Petrobras will be worth more.