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Speaker: Alexandre Jeanneret

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Title: Commodity Prices and Currencies

Abstract:

This paper revisits the predictability of exchange rates using commodity prices. We identify currencies with significant commodity price exposure, exploiting net commodity exporters and importers. We show that in and out-of-sample monthly currency fluctuations can be predicted by changes in a country's commodity export/import prices. We find this predictability is short-lived, concentrated in periods of high uncertainty and among lesser-traded currencies. Predictability also extends to the carry trade, but is driven exclusively by investments in a few commodity-sensitive currencies. These findings align with a gradual information diffusion mechanism, suggesting a temporal market inefficiency rather than a risk-based explanation.