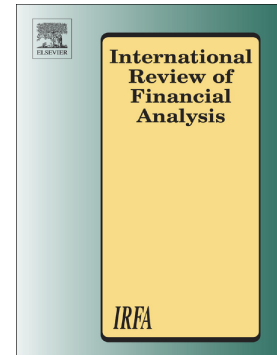


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On the study of conditional dependence structure between Oil, Gold and USD exchange rates

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Abstract

Energy commodities and precious metals differ from other trading products. In fact, both oil and gold prices are leading economic variables and drive the evolution of the world economy. Since the US dollar is used as the primary currency of international crude oil and gold trading, the relationship between commodities, metals and exchange rates became a major research agenda recently. Therefore, this study proposes a Nested copula based GARCH models to explore the dependence structure between oil, gold and USD exchange rate. More importantly, a comparative framework based on three sub-periods is implemented to capture the co-movement during normal and crisis period. Empirical results suggest that for both crisis period the dependence between oil, gold and USD exchange rate is stronger comparing with the dependence during the untroubled period. Moreover, the co-movement is accelerated which is explained by the unusual movement of USD during the global financial crisis of 2007-2009.

Jel classification: C14, C22, G01, Q40.

Keywords: Dependence structure, Nested Archimedean Copula, Commodity, BiVaR .

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