

Accepted Manuscript

Market power, inflation targeting, and commodity currencies

Yu-chin Chen, Dongwon Lee

PII: S0261-5606(18)30443-1

DOI: <https://doi.org/10.1016/j.jimonfin.2018.07.002>

Reference: JIMF 1940

To appear in: *Journal of International Money and Finance*



Please cite this article as: Y-c. Chen, D. Lee, Market power, inflation targeting, and commodity currencies, *Journal of International Money and Finance* (2018), doi: <https://doi.org/10.1016/j.jimonfin.2018.07.002>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Market power, inflation targeting, and commodity currencies

Yu-chin Chen ^a, Dongwon Lee ^{b,*}

^a *Department of Economics, University of Washington, Seattle, WA 98195, USA*

^b *Department of Economics, University of California, Riverside, CA 92521, USA*

This version: May 11, 2018

Abstract

The ‘commodity currency’ literature highlights the robust exchange rate response to fluctuations in global commodity prices that occurs for major commodity exporters. The magnitude of the response, however, varies widely across countries and over time horizons. This paper examines the real exchange rates of 51 commodity exporters over the period from 1980 to 2010, and finds that in the long-run, a higher degree of market power in the world commodity trade can reduce the exchange rate response, while in the short-run, an inflation targeting regime can amplify it. These differential impacts across countries and horizons are of particular relevance for monetary policy-making and for trade strategy in commodity-abundant economies.

Keywords: Commodity price; Inflation targeting; Market power; Panel cointegration; Real exchange rate

JEL classification: C32; F31; F41; O13

* Corresponding author. Tel.: +1-951-827-1505; fax: +1-951-827-5685.

E-mail addresses: yuchin@uw.edu (Y-c. Chen), dwlee@ucr.edu (D. Lee)

Download English Version:

<https://daneshyari.com/en/article/7364954>

Download Persian Version:

<https://daneshyari.com/article/7364954>

[Daneshyari.com](https://daneshyari.com)