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Piecewise linear trends and cycles in primary commodity prices

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HIGHLIGHTS

- The evolution of relative primary commodity prices has always been a subject of deep debate in development and international economics.
- An increasing branch of the literature uses statistical filters to isolate the series components of interest, i.e. the trend and cycle of the primary commodity prices, in order to unveil their main properties.
- Following Yamada and Yoon (2014), we use the so-called l_1 filter to study the medium-to-long run behavior of commodity prices, in particular to assess the Prebisch-Singer hypothesis of a secular downward trend and to explore the notion of a long-lasting cycle in commodity prices.
- The l_1 filter produces piecewise linear trends and cycles. Hence, changes in slope of the estimated trends and the turning points in the estimated cycles are very easy to identify. Thus, the l_1 filtering methodology can be of great value to better understand these important events in the evolution of primary commodity prices, and to explore their causes.

Abstract

We extend the methodology put forward in Yamada and Yoon (2014, *Journal of International Money and Finance*, 42(C), 193-207) to analyze the trend and cyclical behavior of relative primary commodity prices. These authors propose the use of the so-called l_1 -filter that renders piecewise linear trends of the underlying data. Our focus is on the calibration of such filter and

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