Accepted Manuscript

Title: US monetary policy and sectoral commodity prices

Author: Shawkat Hammoudeh, Duc Khuong Nguyen, Ricardo M. Sousa

PII: S0261-5606(15)00103-5
DOI: http://dx.doi.org/doi:10.1016/j.jimonfin.2015.06.003
Reference: JIMF 1562

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

US Monetary Policy and Sectoral Commodity Prices

Shawkat Hammoudeh[a], Duc Khuong Nguyen[b,*], Ricardo M. Sousa[c]

[a] *LeBow College of Business, Drexel University, 3200 Market Street, Philadelphia, PA 19104, USA.*
[b] *IPAG Business School, 184, Boulevard Saint-Germain, 75006 Paris, France.*
[c] *University of Minho, Department of Economics and Economic Policies Research Unit (NIPE), Campus of Gualtar, 4710-057 - Braga, Portugal; London School of Economics and Political Science, LSE Alumni Association, Houghton Street, London WC2 2AE, United Kingdom.*

[*] Corresponding author: 184, Boulevard Saint-Germain, 75006 Paris, France. Phone: +33 (0)1 53 63 36 00 - Fax: +33 (0)1 45 44 40 46
Email addresses: hammousm@drexel.edu (Shawkat Hammoudeh), duc.nguyen@ipag.fr (Duc Khuong Nguyen), and rjsousa@alumni.lse.ac.uk (Ricardo Sousa).

Research highlights

- We study the effects of the US monetary contractions on sectoral commodity prices.
- Higher expected inflation, costs or speculations explain the swift rise in prices.
- There is a significant heterogeneity in price responses across commodity sectors.
- Core inflation targeting is preferable to headline inflation targeting.
- Results are robust to the identification, futures prices and unconventional policy.

Abstract

Using a Structural VAR (SVAR) model, we examine the effects of the monetary policy of the United States on sectoral commodity prices (including the non-fuel commodity prices, food prices, beverage prices, prices of agricultural raw materials, prices of metals and prices of fuel (energy) commodities) and macroeconomic activity. The empirical evidence suggests that a U.S. monetary contraction leads to an immediate rise in the broad commodity price index, which possibly reflects an aggregation bias, greater