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Causality between oil shocks and exchange rate: A Bayesian, graph-based VAR approach

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***Highlights (for review)**

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- We study the casual structure between oil and major currencies.
- We use a novel Bayesian, graph-based approach.
- Oil leads exchange markets during the after-crisis period whereas vice versa before crisis.
- Three oil shocks play different role during different periods.
- In general, oil-market specific shock affects the dependence structure most.
- The aggregate demand shock plays a weaker role and supply shock contributes least.