

Title: Dynamics of industrial metal prices and their linkages

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Abstract: Linkages across financial markets has been extensively investigated by many researchers. An analysis in this area has been carried out to determine transmission mechanisms across markets of conventional assets, e.g. currencies, T-bonds, investment-grade corporate bonds, high-yield corporate bonds, stocks, and energy resources, e.g. crude oil, coal, gas. Over the past few years a spate of research findings has proved a growing interest in the co-movements between different financial and energy variables. However, not much attention has been devoted to the interrelationships between quotes of industrial metal prices, e.g. copper, aluminum, zinc, nickel (but also rare earth elements), prices of financial assets and macroeconomic variables. The aim of the study is to explore the existence of “the causality effect” between selected industrial metals, financial instruments and macroeconomic data. The methodology is based on the VAR and VEC models. The models are applied to the variables depending of the properties of the time series being analyzed. Findings reveal the evidence of asymmetric spillovers among commodities, financial assets and selected macroeconomic variables. The direction and the strength of the spillovers are different in the short-run and the long-run.