

Macro Roundup Article

Headline: [The Changing Nexus Between Commodity Prices and the Dollar: Causes and Implications](#)

Article Link: <https://www.bis.org/publ/bisbull74.pdf>

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Publication	Bank for International Settlements
Publication Date	May 03, 2023

Tweet: Higher oil prices are now a tailwind for the American trade deficit as the US is a net energy exporter. Since June 2021, the dollar has been moving in the same direction as the oil price, which is a reversal of the long-term relationship. @BIS_org

Summary: A more structural determinant of the change in the commodity price-dollar nexus is the changing composition of US trade. Historically, the United States has been a net oil and gas importer. This pattern has changed recently. The shale oil boom that began in the early 2010s expanded US energy production substantially. The country became a net exporter of natural gas in 2017 and of oil in late 2019 (Graph 2.B). These changing trade patterns have altered the relationship between commodity prices and the US terms of trade (ie the ratio of US export prices to US import prices). Historically, higher oil prices were associated with a deterioration in the US terms of trade. But as US oil production rose, the relationship between the two series flipped, so that higher oil prices now correspond to an improvement in the US terms of trade.

Primary Topic: Savings Glut/Trade Deficit

Topics: Energy, Factoid, GDP, Government/NGO, Savings Glut/Trade Deficit, Weekly

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