**The relationship between Real Commodity Prices and Real Interest Rates**  
  
Jeffrey Frankel and Marco Martinez, June 2018

Feb 1951-Apr 2018 Feb 1951- Feb 2014 Feb 1951-Apr 2018 Dec 1969-April 2018

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | (1) | (2) | (3) | (4) |
| VARIABLES | Log Real CRB (BLS) Foods Price Index period average | Log Real Dow Jones-AIG Commodity Price Index period average | Log Real Moody's Commodity Price Index period average | Log Real Goldman Sachs Commodity Price Index period average |
|  |  |  |  |  |
| Real Interest Rate | -0.026\*\*\* | -0.026\*\*\* | -0.088\*\*\* | -0.071\*\*\* |
|  | (0.007) | (0.007) | (0.005) | (0.006) |
| Constant | 0.847\*\*\* | 0.043\*\* | 2.594\*\*\* | 0.713\*\*\* |
|  | (0.017) | (0.017) | (0.013) | (0.016) |
|  |  |  |  |  |
| Observations | 807 | 757 | 807 | 581 |
| R-squared | 0.018 | 0.022 | 0.295 | 0.172 |
| \*\*\* p<0.01, \*\* p<0.05, \* p<0.1. Heteroskedastic robust standard errors in parentheses. | | | | |

Notes:

* INFLATION (Month X, Year T) =Log CPI (Month X, Year T) – Log CPI (Month X, Year T-1)
* REAL INTEREST RATE (Month X, YEAR T)  = [ 3-TBILL(Month X, YEAR T)/100 - INFLATION (Month X-1, YEAR T) ]\*100   for months (Feb-Dec) ; for Jan we take INFLATION (Month X-1, YEAR T-1).
* Source for 3-month treasury bill rates: Federal Reserve Bank of St. Louis https://fred.stlouisfed.org/series/TB3MS, May 31, 2018. Source for Commodity Price Indexes: Global Financial Data











