

The Impact of Monetary Policy Surprises on Energy Prices
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Abstract:

This paper examines the effect of monetary policy surprises on energy prices at intra-day, daily and monthly frequencies. We measure monetary policy shocks using interest rate futures prices that capture unexpected changes in the fed funds target rate. We find an immediate negative response of energy prices to surprise increases in the fed funds target rate using intra-day data. However, the dynamic responses of energy prices to monetary shocks are statistically imprecise. We also use the futures data to identify contemporaneous impact of federal funds rate shocks on oil price in a structural VAR setup. The estimates show a small and statistically insignificant effect. The results cast doubt on the usefulness of intra-day estimates for structural VAR identifications.