

Monetary Policies and Oil Price Fluctuations Following the Subprime Mortgage Crisis

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Abstract This research examines how monetary policies have affected crude oil prices after the subprime mortgage crisis. Our earlier research found a significant impact from easy monetary policies on energy prices during the period of 1980 to 2011. This current paper reports that the quantitative easing of US monetary policies weakened the US dollar by shifting US investors to invest into the oil market and other commodity markets. An empirical analysis shows that the weaker exchange rate of the US dollar pushed oil prices in the period of 2007-2012 upward, while world economy was in recession in 2009-2012.

Key Words: oil prices, monetary policies, subprime mortgage crisis, exchange rate

JEL classification: E52, G01, Q43

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