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DOES FEAR (VIX INDEX) INCITE VOLATILITY IN FOOD PRICES?

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2017

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Abstract

Globally, the volatility trend in food prices has continued to increase. Different data give the impression that this volatility may be caused by the international finance markets' propagation effect. For this reason, the study focused on the VIX (fear) index that is used to measure the movement in Standard & Poor's 500 index. The main objective of the study is to analyze the degree of volatility between the VIX index and the wheat market. The research is comprised of monthly data obtained from year 2000 to 2015. The study employs the BEKK GARCH method. The findings show that the variance shocks in the fear index damage food prices. The results may be useful to policy makers in researching the causes of changes in the prices of food commodity and taking necessary measures.

Details

Title	DOES FEAR (VIX INDEX) INCITE VOLATILITY IN FOOD PRICES?
Keywords	food prices (https://ageconsearch.umn.edu/search?f1=keyword&as=1&sf=title&so=a&rm=&m1=p&p1=food%20prices&ln=en); fear (VIX) index (https://ageconsearch.umn.edu/search?f1=keyword&as=1&sf=title&so=a&rm=&m1=p&p1=fear%20%28VIX%29%20index&ln=en); BEKK GARCH model (https://ageconsearch.umn.edu/search?f1=keyword&as=1&sf=title&so=a&rm=&m1=p&p1=BEKK%20GARCH%20model&ln=en)
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Subject(s)	Agricultural and Food Policy (https://ageconsearch.umn.edu/search?f1=subject&as=1&sf=title&so=a&rm=&m1=p&p1=Agricultural%20and%20Food%20Policy&ln=en) Agricultural Finance (https://ageconsearch.umn.edu/search?f1=subject&as=1&sf=title&so=a&rm=&m1=p&p1=Agricultural%20Finance&ln=en) Crop Production/Industries (https://ageconsearch.umn.edu/search?f1=subject&as=1&sf=title&so=a&rm=&m1=p&p1=Crop%20Production/Industries&ln=en) Demand and Price Analysis (https://ageconsearch.umn.edu/search?f1=subject&as=1&sf=title&so=a&rm=&m1=p&p1=Demand%20and%20Price%20Analysis&ln=en) Financial Economics (https://ageconsearch.umn.edu/search?f1=subject&as=1&sf=title&so=a&rm=&m1=p&p1=Financial%20Economics&ln=en)
Issue Date	4/15/2017
Publication Type	Journal Article
Digital Object Identifier	https://doi.org/10.22004/ag.econ.266472 (https://doi.org/10.22004/ag.econ.266472)
Record Identifier	https://ageconsearch.umn.edu/record/266472
Language	English
Published in	International Journal of Food and Agricultural Economics (IJFAEC)
Volume	05
Issue	2
Page Range	69 - 78
JEL Codes	Q14 Q18 E3
Record Appears in	International Journal of Food and Agricultural Economics (IJFAEC) (/collection/1128?ln=en)

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