Abstract

Developed economies have been severely hurt over the last decade. Low inflation and unbalanced growth forced authorities to implement unconventional measures like negative interest rates. The unbalanced environment in financial markets is also visible on the commodity market. The prices of commodities have already experienced second contraction over the last decade. However, according to Frankel (2012) the changes in prices of commodities are heavily determined by real interest rates. This thesis summarizes implications resulting from negative nominal interest rates and then takes a closer look on the connections between changes in interest rates and the movements in commodity market. We use vector *error correction model* to investigate impact of nominal macroeconomic factors on the set of 16 commodities of different types (metal, energy and industrial commodities). As expected, our findings confirmed that the price changes in the commodity market are in the long run significantly linked with inflation as well as with nominal interest rates. The analysis also supports the claims of considerable correlation among prices themselves but provides no evidence of negative interest rate policy impact on the commodity market.