

## L. A. Thorsrud: Climate risk and commodity currencies

The positive relationship between real exchange rates and natural resource income is well understood and studied.

However, climate change and the transition to a lower-carbon economy now challenges this relationship.

We document this by proposing a novel news-media-based measure of climate risk, and show that when climate risk is high, major commodity currencies experience a persistent depreciation and the relationship between commodity price fluctuations and currencies tends to become weaker.