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Nota di contenuto	Intro -- Contents -- I. Introduction -- II. Stylized facts -- III. The model -- A. No hedging -- B. Futures -- IV. The welfare gains from hedging -- A. Calibration -- B. Benchmark results -- C. Sensitivity analysis -- D. Welfare gains by commodity -- V. Extensions -- A. Options -- B. Default -- VI. Conclusion -- References -- Appendices -- I. Commodity price data -- II. Model with hedging -- III. Notes on numerical simulations -- IV. Maximum likelihood estimation -- Tables -- 1. Countries with 2002-2007 average of commodity net export share of non-commodity-GDP above 10 percent -- 2. Standard deviation of the detrended log of commodity exports and non-commodity GDP -- 3. Benchmark calibration -- 4. Calibration by commodity -- 5. Welfare gains from futures by commodity -- 6. Commodity price data from International Finance Statistics ... -- Figures -- 1. Average open interest and risk premium (NYMEX July 03 - May 09) -- 2. Welfare gains from consumption smoothing only -- 3. Full welfare gains -- 4. Consumption functions and target net foreign asset position -- 5. Dynamics of net foreign assets and consumption following the introduction of hedging -- 6. Welfare gains as a function of discount factor and growth rate -- 7. Welfare gains as a function of the shock persistency -- 8. Welfare gains as a function of the shock variance -- 9. Net foreign assets and welfare gains with options and futures contracts -- 10. Borrowing capacity, equilibrium net foreign assets and welfare gains with defaultable debt.
Sommario/riassunto	This paper uses a dynamic optimization model to estimate the welfare gains of hedging against commodity price risk for commodity-exporting countries. The introduction of hedging instruments such as futures and options enhances domestic welfare through two channels. First, by reducing export income volatility and allowing for a smoother consumption path. Second, by reducing the country's need to hold foreign assets as precautionary savings (or by improving the country's ability to borrow against future export income). Under plausibly calibrated parameters, the second channel may lead to much larger welfare gains, amounting to several percentage points of annual consumption.