**RESPONSE TO REFEREEE B**

**TITLE: MODELLING THE RAND AND COMMODITY PRICES: A GRANGER CAUSALITY AND COINTEGRATION ANALYSIS**

**GENERAL COMMENTS**

Generally the paper focuses on an issue of great policy and practical relevance in South Africa and other commodity exporting countries. The paper attempts to extend existing literature on the nexus between commodity prices and Rand exchange rate in South Africa. The author lays out the research strategy and executes it well. The literature review is and comprehensive. The paper employs standard time series econometrics techniques and draws interesting policy recommendations.

**Decision:** It is against this background that I would recommend the paper for publication after a number of suggestions are implemented.

The paper could be improved through the following suggestions;

***Exclusion of standard material***: much of the stuff on page 9 and 10 regarding univariate and Engle-Granger and ECM could be summarised. These are standard textbook material and do not add much to the paper

**Response to Referee:** We have now summarised this.

I would suggest the author uses the Johansen cointegration approach as opposed to the Engle-Granger two-step procedure.

**Response to Referee**: We now also use the Johansen cointegration approach in Section 4.5.

# MINOR COMMENTS

The citation of Sichei et al. (2001) should read Sichei et al. (2005) as referenced

**Response to Referee**: Addressed.

**References:** This section needs to be checked to ensure that common mistakes are eliminated. These include ensuring that;

* Every work referenced is cited in the text;
* The reference list is consistent e.g. italicize all journal names
* The citation of Sichei et al. (2001) should read Sichei et al. (2005) as referenced

**Response to Referee**: Addressed