

Precious Metal Stocks as Hedges and Safe-havens

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This study explores the hedge, safe-haven, and diversifier properties of precious metal stocks and their metal counterparts against equities. By using a recently developed wavelet quantile correlation method to test the correlation between precious metal stocks and other assets at different time horizons and quantiles. The study made use of secondary data from the Thomson Reuters DataStream database, ranging from April 25, 2006 to May 3, 2023, and used maximal overlap discrete wavelet transform (MODWT) to decompose the returns of different variables into different time horizons. The study finds that equities of precious metals are relatively more correlated with their metal counterparts than equities at all quantiles and time horizons. They also find that gold exhibits hedge and safe haven properties (strong) at longer time horizons and lower quantiles against equity, while silver shows diversifier properties at all time horizons and quantiles. Both the precious metal stocks show only diversifier properties at all time horizons. Gold stands out as a precious metal with a distant property of being a hedge and safe haven against equities. Hence, this study seeks to contribute to the empirical literature on whether mining stocks possess hedge and safe haven properties and also compare the association of precious metal stocks and their metal counterparts with equities at different time horizons. In conclusion, this study provides valuable insights to long-term investors seeking investments in safe assets, who can usefully employ these results in their portfolio construction and management.