How are gold returns related to stock or bond returns in the U.S. market? Evidence from the past 10-year gold market

Although the gold market over the past decade has been soaring relative to its prior history, there have been few studies on the relationship between the gold market and other major financial markets based on the past decade of data. To re-investigate how the gold market interacts with the stock market and the bond market, we re-visit economic and financial characteristics of gold using the past 10-year data in terms of co-integration, causality, predictive power, and extreme returns. We identify a bidirectional causality between gold returns and stock returns and a unidirectional causality from gold returns to bond returns. We also find that gold returns have some predictive power on subsequent stock and bond returns. Under extreme scenarios, it turns out that gold returns tend to deteriorate more simultaneously with bond returns than stock returns. This means that gold may better serve as a safe haven for stock in a relative sense during temporary market downturns.