Abstract
This paper assesses the linkages between the most important U.S. financial asset classes (stocks, bonds, T-bills and gold) during periods of financial turmoil. Our results have potentially important implications for strategic asset allocation and pension fund management. We use multivariate extreme value theory to estimate the exposure of one asset class to extreme movements in the other asset classes. By applying structural break tests to those measures we study to what extent linkages in extreme asset returns and volatilities are changing over time. Univariate results andch bivariate comovement results exhibit significant breaks in the 1970s and 1980s corresponding to the turbulent times of e.g. the oil shocks, Volcker's presidency of the Fed or the stock market crash of 1987.