

Seeking Safe Haven: An Analysis of Gold Performance during Periods of High Volatility

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Abstract : This paper analyzes the performance of gold as a safe-haven investment. Assuming high market volatility as an impetus to seek a safe haven in gold, the return of gold relative to the stock market, as measured by the S&P 500, is tracked. Using the Chicago Board Options Exchange (CBOE) volatility index (VIX) as a measure of stock market volatility, various criteria are established for when an investor would seek a safe haven to avoid high levels of risk. The results show that in a vast majority of cases, the S&P 500 outperforms gold during these periods of high volatility and suggests investors who seek safe haven are underperforming the market.

Keywords : gold, portfolio management, safe haven, VIX

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