

What characterizes a *safe haven asset* and how does it perform across market cycles?

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ERRATA

- Page 36 : the Matrix " H_t " represents the matrix of the **conditional covariances of the error term** and NOT the matrix of the conditional variances.

Respectively, you should read:

H_t being the $n \times n$ matrix that represents the conditional covariances of ϵ_t

- Page 47: "The start of the conflict between Russia and Ukraine does not appear to have had any impact on the DCC or on the bond's long-term yield since it increased (see Appendix 1)." must be replaced by "The start of the conflict between Russia and Ukraine does not appear to have had any impact on the DCC **but** on the bond's long-term yield since it increased (see Appendix 1)."
- Page 48: "The relative absence of any significant impact on the DCC during the Russia-Ukraine conflict could suggest that the bond market perceived it as a localized geopolitical problem with minimal implications for the US debt landscape." must be replaced by "The relative absence of any significant impact on the DCC during the Russia-Ukraine conflict **and the fact that it stays positive, but having a downward sloping curve, while the yields increased could suggest a surprising result, with a decreasing demand for bond following the work of He et al. (2016). This could be explained because** the bond market perceived it as a localized geopolitical problem with minimal implications for the US debt landscape **or that there was a loss of confidence in this type of investment.**"
- Page 48: "A further indication that investors perceived US bonds as significantly less unsafe despite global tensions is the subsequent increase in bond yield, which increased its demand and ultimately the bond prices." must be replaced by "A further indication that investors perceived US bonds as significantly less **attractive and less safe** despite global tensions is the subsequent increase in bond yield, which **results from decreasing demand** and ultimately **decrease** the bond prices."
- Page 59: After the following sentence: "Subsequently, if the DCC's values for the period after the WHO announcement have fallen, meaning that the coefficient associated with the dummy variable is negative, then the assets are likely to be behaving like safe havens at present.", it must be added: "**However since we were using log-returns of bond yields for 10-year US Treasuries, the opposite will be true. If DCC values were negative before COVID-19, then it would be a diversifier, and if these values fall significantly after the covid, then US Treasuries could not be considered a safe haven at that time.**"
- Page 60, Table 6: The conclusions for the US bond must be replaced by

US bond				
S&P500	0.2605***	Hedge	-0.0954***	/
Stoxx 600	0.2428***	Hedge	-0.0412***	/
Nikkei 225	0.1383***	Hedge	-0.0222***	/
MSCI-wrld	0.2720***	Hedge	-0.0847***	/

- Page 61: “the results for the US Treasury bills resonate more with the asset’s historically safe reputation. Indeed, the conclusions provided showed that they displayed diversification properties and acted as a safe haven in relation to all market indices during the turmoil as He et al. (2016) and Baur et al. (2021) concluded too.” must be replaced by “the results for the US Treasury **yields challenge the asset’s historically safe reputation. Despite the fact that there is evidence showing that they could serve as a hedge in calm economic periods as suggested also by Baur et al. (2021), the findings suggest that their behavior diverges from the expected norm, as the correlation between their yields and global indexes decreased during times of turmoil while at the end staying positive. This indicates that the relationship between the prices of the bonds and the global indexes increased, given the negative relationship between bond prices and their yields. This outcome contrasts with the assertions of He et al. (2016) and Baur et al. (2021), who concluded that US Treasury bills functioned as a safe haven in relation to all market indices during periods of turmoil. However, we should stay moderate with the conclusion since the correlation stayed positive and therefore it could stay negative with the prices of the bonds.**”
- Page 61: “The same findings for the currencies, except for the JPY against the S&P 500 and for the USD in particular,...” must be replaced by “**This leads us to other** findings for the currencies, except for the JPY against the S&P 500 and for the USD in particular,...”
- Page 64: “Gold, traditionally viewed as a safe haven, presented ambiguous results. While it maintained some hedging properties, its role as a universal safe-haven asset has come under scrutiny. On the other hand, US Treasury bills and the USD respectively displayed their historical roles as safe havens and hedges, respectively, remaining consistent even amidst the turmoil. However, the US bonds showed some high levels of volatility and should be kept in sight.” must be replaced by “**Gold and US Treasuries**, traditionally viewed as safe havens, presented ambiguous results. While **they** maintained some hedging properties, **their** role as universal safe-haven assets has come under scrutiny. **Moreover**, the US bonds showed some high levels of volatility and should be kept in sight. On the other hand, the USD displayed **its** historical role as **a** safe haven and hedge, remaining consistent even amidst the turmoil.”
- Page 82: “Traditional assets like US Treasury bills and the USD retain their safe-haven status, while gold’s safe-haven property appears less certain.” must be replaced by “Traditional **safe currencies** like the USD **and JPY** retain their safe-haven status, while gold **and US Treasuries’** safe-haven property appears less certain.”