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## Economic Evaluation of Asymmetric and Price Range Information in Gold and General Financial Markets

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## Abstract

Gold is widely perceived as a good diversification or safe haven tool for general financial markets, especially in market turmoil. To fully understand the potential, this study constructs an asymmetric multivariate range-based volatility model to investigate the dependence and volatility structures of gold, stock, and bond markets and further to compare the difference between the financial crisis and post-financial crisis periods. We find a striking explanatory ability to volatility structures provided by the price range information and significant evidence of asymmetric dependence across gold, stock, and bond markets. We implement an asset-allocation strategy incorporating asymmetric dependence and price range information to explore their economic importance. The out-of-sample results show that between 35 and 517 basis points and between 90 and 1,111 basis points are earned annually when acknowledging asymmetric dependence and price range information, respectively. These economic benefits are inversely related to the level of investors' risk aversion and are particularly significant in the period of the global financial crisis.

**Keywords:** Asset-allocation strategy; Asymmetric dependence; Dynamic copula; Economic value; Global financial crisis; Safe haven

**JEL Classification:** G10; G11; G14

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