
Does gold act as a safe haven against oil price fluctuations in multiple time horizons?

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Abstract

Sharp and frequent fluctuations of the international oil price have affected the development of the world economy, while gold is usually regarded as the safe haven asset in the financial market. Does gold act as a safe haven against oil price fluctuations in multiple time horizons? To answer this hidden problem, we combine the GARCH-EVT based value-at-risk (VaR) model and the wavelet coherence approach to examine the nonlinear correlation between gold and oil during the extreme market conditions across different time scales. The results show that gold could act as a safe haven against oil price fluctuations across different time horizons during most occasions. And the safe haven property of gold against oil market perform relatively better in the medium term, especially the 32-64 days time scales. These results could also provide some implications for both investors and policymakers, particularly for the oil-exporter country.

Keywords: oil; gold; safe haven; multiscale