'Safe assets' during Covid-19: A portfolio management perspective

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Preliminary version will be emailed to PFMC Discussant beforehand.

Abstract

The pandemic crisis of Covid-19 hit the financial markets like a shockwave on March 19, 2020. This paper attempts to capture to which "safe assets" asset managers could have fled during the first wave of the pandemic. From an investment manager's perspective, candidate assets are stocks, bonds, exchange rates, commodities, gold, and (gold-backed) cryptocurrencies. Empirical tests of the 'Safe-Haven' hypothesis are conducted, upon which the selection of assets is performed. The methodological framework hinges on the Mean Risk, Risk Parity, Hierarchical Clustering and Other optimization techniques. The routine is performed under Python. The result will inform investors about the returns that could have been achieved during such a stressful event.

Keywords: Covid-19; safe-assets; gold-backed cryptocurrencies; portfolio optimization

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