

CAN EQUITY BE SAFE HAVEN FOR INVESTMENT?

JANANI SRI SG

ABSTRACT

The popular investment choice like fixed income, gold, and real estate has generated low or negative real returns for the investors over long horizons. Equity, though it comes with inherent risk, has performed much better. Although, investors prefer safe-haven assets for capital protection, they are increasingly moving to equities in search for better returns. We consider whether equity could be a safe-haven asset class if chosen from a basket of quality stocks. We examine the safe-haven and hedging properties of the constituent stocks of the Nifty-50 index over the period 2008–2020. To address this, we employ copula-based framework to model the dependence structure between these stocks and the five indices (Nifty-50, Nifty-100, Nifty-Midcap-100, Nifty-200, and Nifty-Smallcap-100). We also distinguish between safe-haven attributes and hedging features of the individual stocks. We show that the safe-haven properties of the Nifty-50 listed stocks are not as concentrated as gold but they show much low co-movement with the market, in general and especially during the crisis time. We call them *pseudo-safe-haven* as they are the safe-bets for investors seeking relatively safe-haven assets with impressive returns.