

Acosta-González E., Andrada-Félix J. and Fernández-Rodríguez F. (2015). Stock-bond decoupling before and after the 2008 crisis. *Applied Economics Letters* DOI: 10.1080/13504851.2015.1083072

Abstract

In this article, we analyse the co-movements of daily stock prices and government bond prices during the last 25 years, in major Western stock markets, extending previous results to take into account the impact of the current crisis. Our results confirm that bonds are viewed as instruments for improving portfolio diversification in periods of high volatility and falling stock market levels, which is when such diversification is most needed. The possibility of using government debt in portfolios as a means of hedging during times of financial crisis became especially apparent in the crises of 1997, 2001 and 2008. Nevertheless, during the current one, this diversification quality of bonds has disappeared in countries like Italy or Spain, which are also affected by sovereign debt issues.