

Hedging effectiveness of bitcoin and gold: evidence from G7 stock markets

Lei Xu

Okinawa University

Kobe University

Takuji Kinkyo

Kobe University

This paper investigates the risk hedging effect of bitcoin and gold in the G7 stock market. Almost all series have higher variances in the short-medium term of the COVID-19 sample period and the Russo-Ukrainian War sample period. Meanwhile, we also find that the covariance and correlation between bitcoin (gold) and G7 stock index returns are statistically insignificant outside 2018, 2020, and 2022 periods. Our hedging effectiveness results provide strong evidence that bitcoin is a stronger risk hedge than gold in the short term but weaker than gold in the long term. Notably, our findings are consistent over the periods of COVID-19, bitcoin's price decline, and the Russo-Ukrainian War. Therefore, this research can support how investors plan their investment portfolios during periods of economic turmoil.