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What are safe-haven currencies and safe-haven assets?

We look at changes in the exchange rates of various currencies (U.S. Dollar, Euro, British Pound, Yen, Swiss Franc, RMB), as well as the price of Gold, at the time of geopolitical crises (second Gulf War from March to May 2003, war in Ukraine since February 2022, war led by Israel in Gaza and then against Iran from October 2023), financial crises (the Internet crisis in 1999-2000, the subprime crisis from July 2007, which turned into a global financial crisis in the autumn of 2008), economic crises (the eurozone crisis from 2010 to 2012), and the Covid crisis from March 2020 to May 2021.

We can see that only the Swiss Franc and Gold are playing the role of safe-haven currencies (or safe-haven assets); none of the other currencies, including the U.S. Dollar, is playing this role.

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The dates of the crises and their effects on currencies and the price of Gold

We look at the various crises that have taken place since the end of 1998:

- Internet crisis (1999-2000) ;
- Second Gulf War (March-May 2003);
- Subprime crisis (2007 to 2009);
- Eurozone crisis (2010-2012);
- Covid crisis (March 2020 to May 2021) ;
- War in Ukraine (since February 2022) ;
- War in Gaza and Iran (since October 2023).

We look at the effect of these various crises:

- On the exchange rate of currencies that may be safe haven currencies (U.S. Dollar, Euro, British Pound, Yen, Swiss Franc, RMB);
- On the price of Gold;

To determine which are really safe haven currencies and safe haven assets.

The reaction of exchange rates and the price of Gold to crises

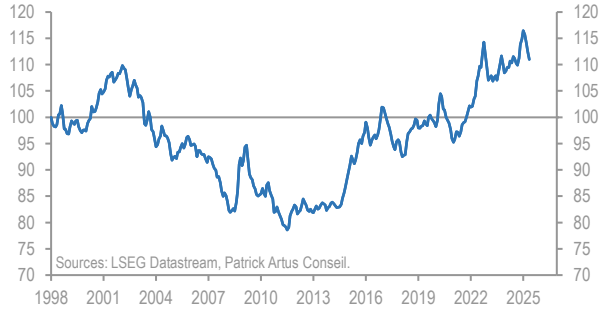
U.S. Dollar

Charts 1A/B show **the exchange rate of the U.S. Dollar against the Euro and the real effective exchange rate of the U.S. Dollar**.

Chart 1A
Euro/dollar exchange rate (EUR 1 = USD...)



Chart 1B
United States: Real effective exchange rate
(1998.M1 = 100)



We can see that the U.S. Dollar appreciated in four of the seven crises or wars we are looking at.

Euro

Charts 2A/B show **the exchange rate of the Euro against the U.S. Dollar and the real effective exchange rate of the Euro.**

Chart 2A
Dollar/euro exchange rate (EUR 1 = USD...)

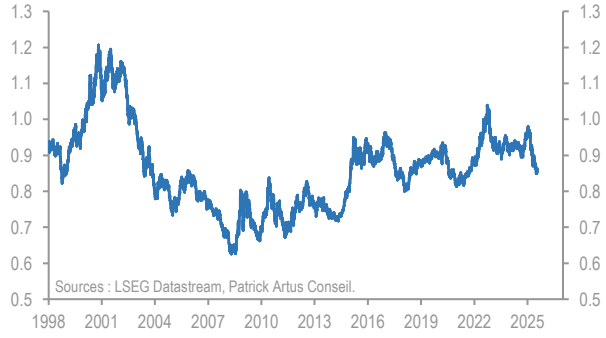


Chart 2B
Euro zone: Real effective exchange rate
(1998.M1 = 100)



The Euro appreciates during three of the seven crises or wars.

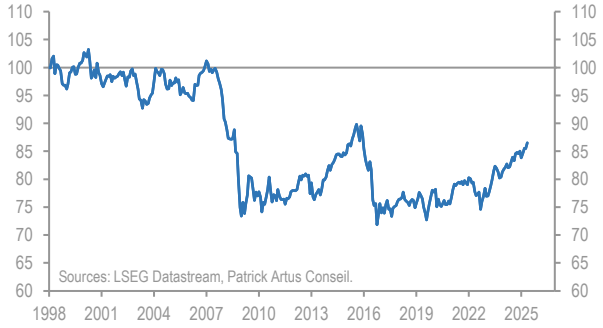
British Pound

Charts 3A/B show the exchange rate of the British Pound against the Euro and the real effective exchange rate of the British Pound.

Chart 3A
Euro/pound exchange rate (EUR 1 = GBP ...)



Chart 3B
United Kingdom: Real effective exchange rate
(1998.M1 = 100)



The British Pound appreciated during two of the seven episodes of crisis or war studied.

Yen

Charts 4A/B show the exchange rate of the Yen against the U.S. Dollar and the real effective exchange rate of the Yen.

Chart 4A
Dollar/yen exchange rate (USD 1 = JPY...)



Chart 4B
Japan: Real effective exchange rate
(1998.M1 = 100)



The Yen appreciated during two of the seven episodes of crisis or war studied.

Swiss Franc

Charts 5A/B show the exchange rate of the Swiss Franc against the Euro and the real effective exchange rate of the Swiss Franc.

Chart 5A
Euro to Swiss Franc exchange rate (EUR 1 = CHF...)



Chart 5B
Switzerland: Real effective exchange rate
(1998.M1 = 100)



The Swiss Franc appreciated in six of the seven possible episodes of appreciation during crises or wars.

RenMinbi (RMB)

Charts 6A/B show the exchange rate of the Chinese RMB against the U.S. Dollar and the real effective exchange rate of the RMB.

Chart 6A
Dollar/renminbi exchange rate (USD 1 = RMB…)

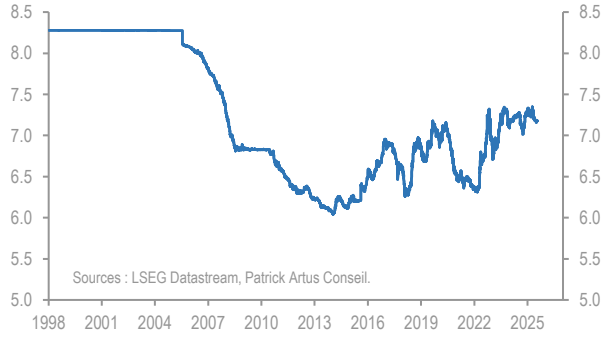
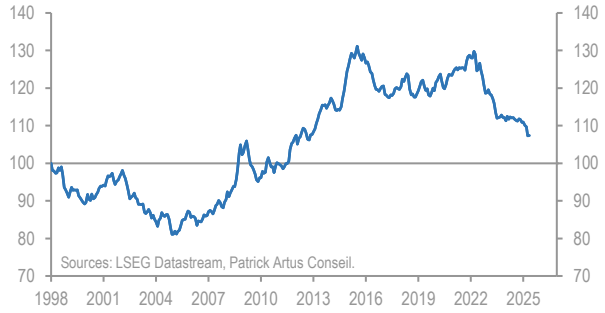


Chart 6B
China: Real effective exchange rate
(1998.M1 = 100)



The RMB appreciated during three of the seven episodes of crisis or war that we are analysing.

Gold price

Finally, **Chart 7** shows **changes in the price of Gold (in U.S. Dollars/ounce)**.

Chart 7
Gold price (USD per Troy Ounce)



The price of Gold rises during six of the seven episodes of crisis or war analysed.

Summary: what are the robust safe-haven currencies and safe-haven assets?

We have examined exchange rate trends (for the U.S. Dollar, Euro, British Pound, Yen, Swiss Franc and RMB) and the price of Gold during seven episodes of crisis (the Internet crisis, the subprime crisis, the eurozone crisis, the Covid crisis) and war (the second Gulf War, the war in Ukraine, the wars in Gaza and Iran) since 1998.

The currencies or assets whose prices rise fairly systematically during crises or wars are: the **Swiss Franc and Gold**. The U.S. Dollar is not always a safe-haven currency.

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