

Accepted Manuscript

Do house prices hedge inflation in the US? A quantile cointegration approach

Christina Christou, Rangan Gupta, Wendy Nyakabawo, Mark E. Wohar

PII: S1059-0560(17)30153-3

DOI: [10.1016/j.iref.2017.12.012](https://doi.org/10.1016/j.iref.2017.12.012)

Reference: REVECO 1553

To appear in: *International Review of Economics and Finance*

Received Date: 21 February 2017

Revised Date: 18 December 2017

Accepted Date: 20 December 2017

Please cite this article as: Christou C., Gupta R., Nyakabawo W. & Wohar M.E., Do house prices hedge inflation in the US? A quantile cointegration approach, *International Review of Economics and Finance* (2018), doi: 10.1016/j.iref.2017.12.012.

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



Do House Prices Hedge Inflation in the US? A Quantile Cointegration Approach[#]

Christina Christou^{*}, Rangan Gupta[^], Wendy Nyakabawo[•] and Mark E. Wohar[•]

Abstract: This study analyses the long-run relationship between U.S house prices and non-housing Consumer Price Index (CPI) over the monthly period 1953 to 2016 using a quantile cointegration analysis. Our findings show evidence of instability in standard cointegration models, suggesting the possibility of structural breaks and nonlinearity in the relationship between house prices and non-housing CPI. This motivates the use of a time-varying approach, namely, a quantile cointegration analysis, which allows the cointegrating coefficient to vary over the conditional distribution of house prices and simultaneously test for the existence of cointegration at each quantile. Our results suggest that the U.S non-housing CPI and house price index series are cointegrated at lower quantiles only, with house prices over-hedging inflation at these quantiles. In addition, we also show that this result holds for higher price levels only. Using these two sets of results, we conclude that house prices act as an inflation hedge when the latter is relatively higher and the former is lower.

Keywords: house prices, inflation, hedging, quantile cointegration

JEL Classifications: C22, C32, E31, R31

[#] We would like to thank an anonymous referee for many helpful comments. However, any remaining errors are solely ours.

^{*} School of Economics and Management, Open University of Cyprus, 2220 Latsia, Cyprus. Email: christina.christou@ouc.ac.cy.

[^] Department of Economics, University of Pretoria, Pretoria, 0002, South Africa. Email: rangan.gupta@up.ac.za.

[•] Department of Economics, University of Pretoria, Pretoria, 0002, South Africa. Email: wnyakabawo@gmail.com.

[•] Corresponding author. College of Business Administration, University of Nebraska at Omaha, 6708 Pine Street, Omaha, NE 68182, USA; and School of Business and Economics, Loughborough University, Leicestershire, LE11 3TU, UK. Email: mwohar@unomaha.edu.

Download English Version:

<https://daneshyari.com/en/article/7355462>

Download Persian Version:

<https://daneshyari.com/article/7355462>

[Daneshyari.com](https://daneshyari.com)