

Accepted Manuscript

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PII: S0378-4266(17)30280-7
DOI: [10.1016/j.jbankfin.2017.11.010](https://doi.org/10.1016/j.jbankfin.2017.11.010)
Reference: JBF 5255

To appear in: *Journal of Banking and Finance*

Received date: 6 April 2017
Revised date: 16 October 2017
Accepted date: 12 November 2017

Please cite this article as: Karsten Schweikert, Are gold and silver cointegrated? New evidence from quantile cointegrating regressions, *Journal of Banking and Finance* (2017), doi: [10.1016/j.jbankfin.2017.11.010](https://doi.org/10.1016/j.jbankfin.2017.11.010)

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Are gold and silver cointegrated? New evidence from quantile cointegrating regressions

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[Latest update: November 13, 2017]

Abstract

This paper revisits the study on the long-run relationship between gold and silver by [Escribano and Granger \[1998\]](#). We apply a quantile cointegration model to gold and silver prices and to prices of the corresponding futures contracts. Whereas cointegration models, assuming a constant cointegrating vector, fail to detect a cointegration relationship between gold and silver, we are able to show that a nonlinear long-run relationship exists. The cointegrating vector is modelled as state-dependent and time-varying in our framework and the quantile cointegration estimates reveal substantial asymmetry in the relationship. The results suggest that the pronounced role of precious metals as investment opportunities particularly in bubble-like episodes and times of financial turmoil leads to comovement of gold and silver in these periods.

Keywords: Gold; silver; quantile cointegration; time-varying; state-dependence

JEL Classification: C32; C58; G11; G15

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