

ABSTRACT

Economic conditions that fluctuate and difficult to predict tend to cause concern for investors, because they have potential to lower the value of their assets. This condition raises awareness for investors of the importance of risk management in dealing with the impacts of economic turmoil. one solution is to allocate the value of wealth into assets that function as hedges and safe havens. Where, hedge is an asset that has a negative correlation or uncorrelated in normal condition. Meanwhile, safe haven is an asset that has a negative correlation or uncorrelated in extreme condition. The selection of this asset character is specifically intended to maintain the value of wealth and has the potential to provide returns, especially when an economic downturn.

This research leads to classification of gold and US dollar which is believed to be an asset that functions as a hedge and safe haven against stock prices and inflation in Indonesia. The purpose to finding a strategic and optimal asset allocation for Indonesian investors during the period 2010-2020. The data used are gold prices, US Dollars, ICI and Inflation which were analyzed using the A-DCC GARCH model.

The results of this study indicate that gold can only function as a weak safe haven for Indonesian stocks. While the US dollar is able to function as a hedge and a safe haven against stocks and inflation in Indonesia. So it can be concluded that in Indonesia's economic condition, investment using the US dollar is better than gold.

Keywords : Hedging, safe haven, gold, US dollar