Is the yen still a safe haven? Currency hedges in stock market sell-offs, 2007–2026

Gaurav Gupta · Research note · 3 November 2026 · Weekly total returns, Mar 2007 – Oct 2026 (1,027 weeks)

+1.0%
Yen in the S&P 500's 52 worst weeks (stocks −5.9%); up in 69%

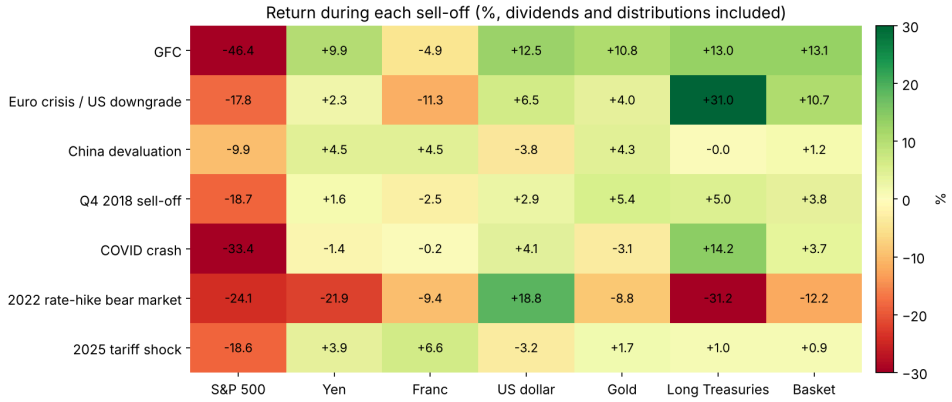
+1.1% → +0.2%
Yen payoff in those weeks, 2007–16 vs 2017–26

−21.9%
Yen in the 2022 bear market (S&P 500 −24.1%; dollar +18.8%)

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Sell-offs in which a dollar/Treasuries/yen/gold basket rose

Asset	Worst-week return	Hit rate	Return/yr	2022	2025 shock
Long Treasuries	+1.53%	77%	+2.7%	−31.2%	+1.0%
Yen	+0.97%	69%	−1.9%	−21.9%	+3.9%
US dollar index	+0.78%	69%	+1.8%	+18.8%	−3.2%
Haven basket	+0.75%	79%	+3.4%	−12.2%	+0.9%
Swiss franc	−0.25%	44%	+1.5%	−9.4%	+6.6%
Gold	−0.26%	50%	+8.9%	−8.8%	+1.7%
Australian dollar	−2.69%	10%	+1.2%	−14.0%	−5.9%

Worst weeks = 52 weeks with the lowest S&P 500 total return. Basket = equal weight of UUP, TLT, FXY, GLD. Sell-off windows are S&P 500 peak to trough, daily data.



Return in each sell-off (%).

SOURCES

- Prices and distributions for SPY, FXY, FXF, FXE, FXB, FXA, FXC, UUP, GLD, TLT: defeatbeta/yahoo-finance-data (ODC-BY), sha256-pinned
- Ranaldo & Söderlind (2010), Review of Finance 14(3)
- Baur & Lucey (2010), Financial Review 45(2)

METHOD

- Weekly total returns incl. distributions
- Mean and hit rate in the S&P 500's worst 5% of weeks; betas
- Seven named sell-offs on daily data
- Split test at 2016; rolling correlation; 10% sleeve

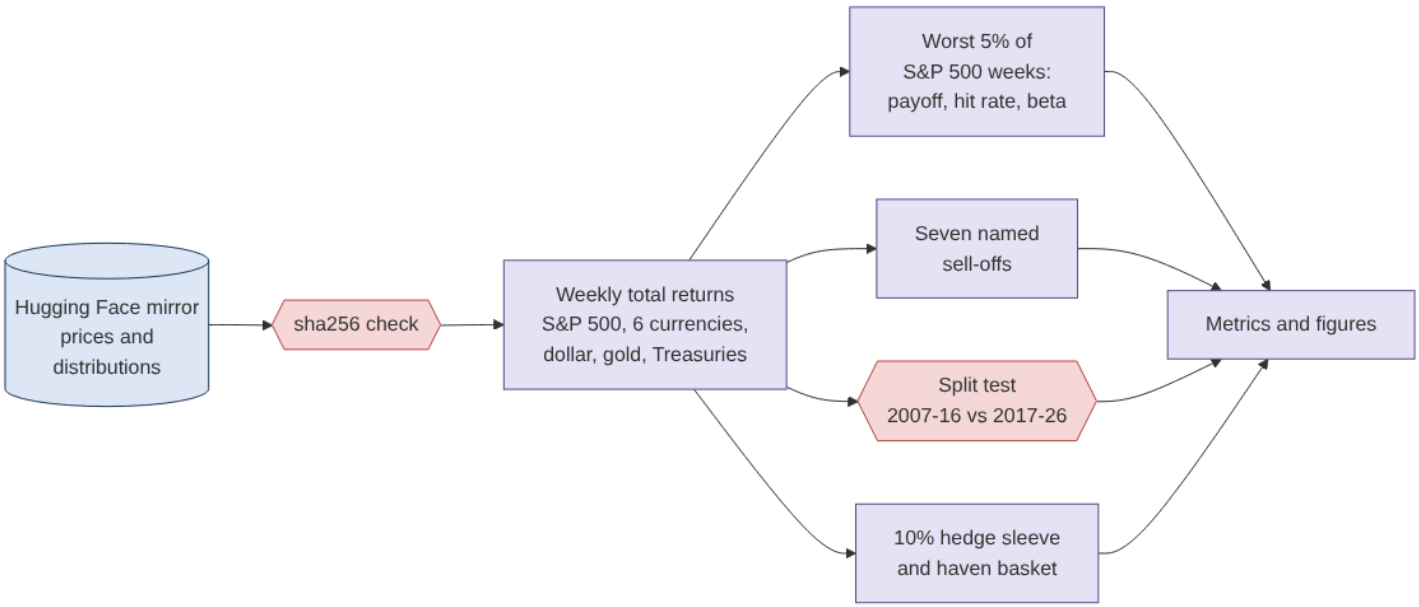
KEY CALCULATIONS

- Worst week on $1bn equities: −5.9% ≈ −$59M
- Yen sleeve cost: 10.9% → 9.8% a year ≈ $11M per $1bn
- Basket sleeve cost: 10.9% → 10.3% ≈ $6M per $1bn
- 10% sleeve worst drawdown ≈ −49% to −50% vs −54.6%

RECOMMENDATIONS

- Hold a small basket of havens, not one.
- Stress separately for growth shocks and for inflation or rate shocks; the hedges behave oppositely.
- Weigh the carrying cost: the yen cost 1.9% a year and its payoff faded after 2016.
- Do not treat the franc, gold or commodity currencies as week-to-week hedges.
- Review hedge effectiveness quarterly on the last two years of data.

Independent research on public data; not deployed; not investment advice. Dollar figures are illustrative. Analysis, code, charts and text were produced with AI assistance and reviewed by the author. Code: github.com/guptagaurav-info/safe-haven-currencies



Pipeline. Blue: sources. Lavender: code. Red: checks.