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# Macro-Finance Determinants of the Long-Run Stock–Bond Correlation: The DCC–MIDAS Specification Get access >

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### Abstract

We investigate long-run stock-bond correlation using a model that combines the dynamic conditional correlation model with the mixeddata sampling approach and allows long-run correlation to be affected by macro-finance factors (historical and forecasts). We use macrofinance factors related to inflation and interest rates, illiquidity, state of the economy, and market uncertainty. Macro-finance factors, particularly their forecasts, are good at forecasting long-run stockbond correlation. Supporting the flight-to-quality phenomenon, longrun correlation tends to be small and negative when the economy is weak.

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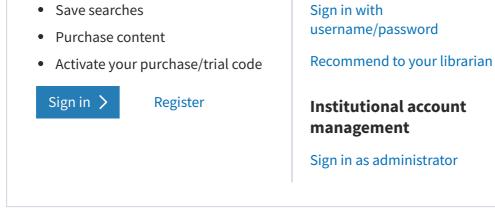
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