Lingnan University 嶺南大學 香港 Hong Kong

Department of Finance
Hong Kong Institute of Business Studies

ACADEMIC SEMINAR SERIES

The Stock-Bond Correlation: A Tale of Two Days in the U.S. Treasury Market

September 10, 2026 (Thur)

SEK210

15:00-16:30

English

Abstract: "Motivated by the central importance of U.S. Treasury (UST) and the growing concern over its resilience, we construct a high-frequency measure of stock-bond correlation to capture UST safety, and more important, its riskiness. On days with highly negative stock-bond correlations, UST serves as the premier safe asset – the demand for safety widens its convenience yield, shrinks its term premium, and decouples its comovement with U.S. Dollar (USD). By contrast, sudden increases of stock-bond correlation signal UST riskiness, accompanied by rising UST volatility and higher term premium. Unlike standard risk measures that spike up amid both flights-to-safety and UST turmoils, our measure is unique in differentiating the dual and contrasting sources of risk. Ourmeasure sounds the alarm when UST shifts abruptly from safety to risky due to concerns over interest-rate risk (e.g., FOMC announcement days), inflation shocks (e.g., the post-Covid inflation surge), dealer-capacity risk (e.g., dash for cash), and more recently, tariff-induced uncertainty. Contrasting the safety of UST against USD, we also document an emerging trend of sustained UST riskiness and USD safety."

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Grace Xing Hu is currently an associate professor at PBC School of Finance, Tsinghua University. Prior to joining PBC School of Finance, she was an assistant professor in Finance at the University of Hong Kong between 2011 and 2019. Grace received her Ph.D. in Economics from Princeton in 2011. She also holds a B.S. in Computer Science from the University of Science and Technology of China, and a M.S. from Northwestern University. Grace's research focus is on empirical asset pricing, in particular, liquidity, credit risk, and financial crises. Her work has been published in leading academic journals, such as *Journal of Finance, Journal of Financial Economics, Journal of Financial and Quantitative Analysis, Management Science,* and *Annual Review of Financial Economics.*

ALL ARE WELCOME

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