

# A Study on the Linkage among Stock, Bond and REIT Returns in Pre-and Post-Financial Crisis Periods

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## ABSTRACT

Understanding the relationship among stock, bond and REITs returns is very important to practicing portfolio manager. Vector autoregressive model and generalized impulse response function are employed in this study to dynamic interdependence among the stock, bond and REITs returns. This study also attempts to examine the difference of relationship in pre-crisis and post-crisis periods. First, our empirical results find that there is significant changing dynamic nature of the relationship in these assets as well as increasing relationships during crisis periods. Second, the impulse response function finds that the REITs and stock are positively correlated with bond in the pre-crisis but the relation is opposite in the post-crisis. This implies that an understanding of these changes is important for portfolio updating. Finally, no causal relationships between these assets are found on the whole in the pre-subprime crisis periods but the feedback relations are found after the subprime crisis. The evidence suggests that REITs plays a limited role in mixed portfolio of stocks and bonds after the subprime mortgage crisis.

Keywords : Vector Autoregressive Model、Causality Test、Generalized Impulse Response Function

## Table of Contents

中文摘要 . . . . .	iii	英文摘要 . . . . .	iii
iv 誌謝辭 . . . . .	iv	v 內容目錄 . . . . .	v
. . . . .	vi	viii 圖目錄 . . . . .	viii
. . . . .	ix	ix 第一章 緒論 . . . . .	1
. . . . .	6	1 第二章 文獻探討 . . . . .	9
. . . . .	6	6 第一節 資產配置相關文獻 . . . . .	9
. . . . .	12	6 第二節 股票與REITs相關文獻 . . . . .	9
. . . . .	14	3 第三節 債?與REITs相關文獻 . . . . .	12
. . . . .	17	4 第四節 股票與債?相關文獻 . . . . .	13
. . . . .	17	5 第五節 股票、債?與REITs相關文獻 . . . . .	14
. . . . .	17	17 第三章 研究方法 . . . . .	17
. . . . .	19	17 第一節 研究期間、對象與資料來源 . . . . .	17
. . . . .	19	17 第二節 單根檢定 . . . . .	17
. . . . .	19	17 第三節 共整合檢定 . . . . .	19
. . . . .	23	19 第四節 誤差修正模型檢定 . . . . .	21
. . . . .	23	21 第五節 向量自我迴歸模型與因果關係檢定 . . . . .	23
. . . . .	26	23 第六節 衝擊反應 . . . . .	25
. . . . .	26	25 第四章 實證結果 . . . . .	26
. . . . .	27	26 第一節 資料來源與分析 . . . . .	26
. . . . .	27	26 第二節 單根檢定 . . . . .	27
. . . . .	33	27 第三節 因果檢定 . . . . .	28
. . . . .	43	28 第四節 衝擊反應函數 . . . . .	28
. . . . .	44	43 第五章 結論 . . . . .	43
. . . . .	51	43 參考文獻 . . . . .	43
. . . . .	52	51 附錄A 表股票、債?及Equity REITs因果檢定 . . . . .	51
. . . . .	52	51 附錄B 表股票、債?及Mortgage REITs因果檢定 . . . . .	52

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