Does the LEGR ETF have Safe Haven Properties against Cryptocurrencies during the Pandemic? A DCC and Spectral Analysis

Daousis Emmanouil

Department of Economics, University of Ioannina
Ioannina, Greece
Email: manosdaousis@gmail.com

Dimitriou Dimitrios[*] and Kallandranis Christos[**]

Department of Acounting and Finance
University of West Attica, Athens, Greece

Tsioutsios Alexandros

School of Economics and Political Sciences
National and Kapodistrian University of Athens, Greece

Email: atsioutsios@econ.uoa.gr

Abstract: This study explores dynamic correlation between the LEGR ETF, focused on blockchain technology, and key cryptocurrencies under two protocols: proof-of-work and proof-of-stake. Using a BEKK model, we estimate dynamic conditional correlations (DCCs) between LEGR and cryptocurrencies. Additionally, an ordinary least squares (OLS) approach examines correlation patterns during the pandemic, while wavelet coherence analysis provides insights into co-movements across time and frequency domains. Results reveal a statistically significant inverse relationship between LEGR and most cryptocurrencies (excluding Solana and XRP) during periods of high uncertainty, such as the pandemic, highlighting their role as safe havens. These findings offer critical implications for investors, central banks, and policymakers regarding the LEGR ETF's potential as a secure investment option during times of market instability.

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[*] Email: ddimitr@econ.uoa.gr; [**]Email: chriskal@uniwa.gr