

Stamps generate more returns than bonds and gold

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(PhysOrg.com) -- Is stamp collecting only of interest to passionate hobbyists? Far from it. Stamps can be a valuable addition to an investment portfolio, generating average long-term yields of up to 7 percent per year.

This has been demonstrated by researchers Christophe Spaenjers (Tilburg University, the Netherlands) and Elroy Dimson (London Business School, UK) in their study 'Ex post: The investment performance of collectible stamps', shortly to be published in the *Journal of Financial Economics*.

Between 1900 and 2008, British [stamps](#) yielded an average nominal return of 7.0%. That was higher than the average return on bonds (5.4%) and gold (4.7%) over the same period. It was only exceeded by the returns on shares (9.2%).

Moreover, stamps involve a low systematic risk - the correlation between investments in stamps and investments in shares is positive, but not particularly strong. This means that yields from stamps are not impacted to a great extent by stock market fluctuations. Accordingly, stamps may represent a good [diversification](#) instrument.

Stamps also tend to hold their value, making them resistant to inflation (comparable to gold). Especially in uncertain [economic times](#), where [inflation](#) is high, stamps can be an attractive and relatively safe investment.

Stamp index

The researchers developed a [price index](#) for stamps, based on the period since 1900. They recorded the list prices of the most valuable British stamps. This is the first long-term study into the development of stamp prices. There are other stamp indices, but these typically only cover prices for the past few years.

The yield from stamps was not consistently good throughout the entire study period. Indeed, the index reveals that there were negative yields throughout the 1980s and for part of the 1990s. During the late 1970s, however, and over the past few years, stamps yielded higher than average returns.

More information: The article 'Ex post: The investment performance of collectible stamps' is available on the SSRN website.
ssrn.com/abstract=1444341

Provided by Tilburg University

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