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Correlation Concerns

Steven D. Dolvin
sdolvin@butler.edu

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Correlation Concerns

Modern Portfolio Theory (MPT) is based on the notion that diversification creates better (a.k.a., more efficient) portfolios. The benefit of the diversification stems from less than perfect correlations between asset classes. However, during times of extreme stress, and even in recent years with market integration, correlation values have increased. This calls into question whether diversification will bring the full benefit that it is expected to provide. See article here, [Bloomberg](#).

Related Chapters: Chapter 11, Chapter 12