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Economic Policy Uncertainty and Stock Market Volatility Under The COVID-19 Pandemic: Evidence from Vietnam

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ABSTRACT: This study investigates how economic policy uncertainty affects stock market volatility in developing countries. Using monthly data on the Vietnamese stock market from March 2011 to December 2024 and employing the Vector Autoregression (VAR) model, the author identified significant connections between economic policy uncertainty and other macroeconomic factors and stock market fluctuations. The findings indicate that economic policy uncertainty in Vietnam significantly and positively influences market volatility, implying that a higher level of policy uncertainty leads to higher market fluctuations. Moreover, past market changes, inflation, and the COVID-19 pandemic have also played significant roles in affecting stock market changes in Vietnam. The results underscore the importance of eocnomic policy uncertainty in shaping the dynamics of the Vietnamese stock market, and stress the necessity for transparent and stable policy frameworks to ensure stable market operations. Based on these results, the authors suggest relevant recommendations for policymakers and investors to reduce the unfavorable impact of policy uncertainty on stock market operations and portfolio investments.

KEYWORDS: economic policy uncertainty, stock market volatility, Vietnam, COVID-19 pandemic

1. INTRODUCTION

Economic policy uncertainty (EPU) refers to the inability of economic participants to forecast the future outcomes of major government policies, particularly fiscal, monetary, trade, and legal regulations. Baker et al. (2016) formalized this concept and introduced an EPU index based on the frequency of terms related to uncertainty and economic policies in news articles. The concept of EPU arises from uncertainty about current events and future policy directions, leading to uncertainty in economic decision making. In other words, this uncertainty can unfavorably affect production, investments, and financial markets as investors and firms may delay or cancel their business decisions until the policy signal becomes more stable.

As evidenced by many studies across countries and markets, EPU has a significant impact on stock market volatility (Chowdhury et al., 2022). EPU impacts stock market volatility through various channels: (i) a high level of EPU induces a pessimistic view of future market behavior, which leads to increased risk aversion among investors, causes investors to adjust their portfolios, and increases trading activity and market volatility (Syed & Bouri, 2021); and (ii) EPU can affect market liquidity, as higher uncertainty levels lead to increased illiquidity, particularly during economic downturns (Dash et al., 2019). Salisu et al. (2023) argue that the magnitude and duration of the effect of EPU on stock market volatility depend on many factors, such as global economic conditions, a country's economic structure, and the quality of the policy signal.

Previous studies have explored this impact and found a positive relationship between EPU and stock market volatility, implying that higher levels of economic policy uncertainty tend to increase market volatility (Chowdhury et al., 2022; Syed & Bouri, 2021). However, many studies have also found that the impact of EPU on stock market volatility varies in different countries and economic contexts. Chowdhury et al. (2022) discovered that the US stock market is highly sensitive to EPU. Syed and Bouri (2021) investigated emerging markets and concluded that the effects were stronger for oil importers than for oil exporters. Salisu et al. (2023) found that the quality of policy signals strongly affected the relationship, with high-quality signals deepened the positive effects of EPU on market volatility. However, other studies have reported contradictory results. For example, Ghani and Gahni (2023) examined Pakistan's stock market and found that domestic EPU did not significantly predict market volatility. Choi and Shim (2018) studied emerging stock markets and discovered that financial uncertainty shocks had a larger and more significant effect on market volatility than did policy uncertainty shocks. Despite extensive empirical evidence, there is a notable research gap regarding the Vietnamese stock market, particularly during the COVID-19 pandemic. Specifically, Vietnam has unique economic characteristics, distinct policy responses to economic downturns, and potential global spillover effects.

Hence, understanding how EPU affects Vietnamese stock market volatility would provide valuable insights for policymakers, firms, and investors.

This study investigates the impact of EPU on stock market volatility by using a sample of the Vietnamese stock market from March 2011 to December 2024. Using the VAR method, we find that economic policy uncertainty contributes significantly to higher levels of stock market volatility. Significant impacts of past market changes, inflation, and the COVID-19 pandemic on stock market changes were also found. Based on these results, we can provide valuable insights and recommendations for firms, investors, and policymakers to minimize the impact of EPU on stock market volatility.

The remainder of this study is structured as follows. Section 2 provides an overview of the theoretical framework and empirical evidence of how EPU impacts market volatility. Section 3 summarizes the data and methods. Section 4 presents and discusses the results. Section 5 summarizes the study and provides recommendations.

2. LITERATURE REVIEW

2.1. Theoretical framework

The impact of EPU on stock market volatility can be explained through multiple theoretical frameworks, notably Asymmetric Information Theory (Akerlof, 1970; Stiglitz & Weiss, 1981), Prospect theory (Kahneman & Tversky, 1979), Rational Expectation theory (Muth, 1961), and Efficient Market Hypothesis (Fama, 1970).

The Asymmetric Information Theory suggests that EPU increases information asymmetry among market participants, leading to higher volatility. Specifically, when policy uncertainty is high, some investors may have better access to certain information or a better ability to interpret policy implications, which results in an information gap. This asymmetry can lead to elevated stock trading and price fluctuations because of the difference in investors' reactions to policy-related news (Ghani & Ghani, 2023). Prospect Theory posits that investors are more sensitive to bad news than good news regarding losses and gains (Kahneman & Tversky, 1979). In the context of EPU and market volatility, this theory suggests that a high level of uncertainty may lead to investors' overreactions to potential losses, resulting in more volatile market behavior. In other words, this theory proposes that EPU may negatively impact stock market volatility (Chiang, 2020).

Rational Expectation Theory assumes that investors form their expectations about stock markets based on all available information, encompassing information related to policy uncertainty. When EPU is high, investors face difficulty in forming accurate expectations; they can continuously adjust their expectations based on new policy information, which potentially leads to increased market volatility (Arthur, 2018). The Efficient Market Hyposthesis (EMH) further explains that stock prices reflect all available information, including EPU information. The EMH suggests that policy uncertainty may be quickly incorporated into stock prices, thus affecting stock market volatility.

In conclusion, while different theories offer different perspectives on the impact of EPU on stock market volatility, they suggest that EPU plays an important role in affecting stock prices. In the next section, we review recent empirical evidence on the relationship between EPU and market volatility, focusing on developing markets.

2.2. Empirical evidence

Previous studies generally find a positive relationship between EPU and stock market volatility, implying that higher levels of economic policy uncertainty tend to increase market volatility (Chowdhury et al., 2022; Syed & Bouri, 2021). However, many studies also found that the impact of of EPU on stock market volatility varies under different contry and economic context.

Chowdhury et al. (2022) assessed the impact of EPU on the US stock market volatility under the three contexts: within the US, outside the US, and global. The authors reported that EPU significantly and positively affects US stock market volatility and that the market reacts positively to financial bailout announcements.

Syed and Bouri (2021) examined the spillover effects of global EPU and oil price changes on stock market volatility, covering the stock market indices of oil-exporting and oil-importing countries. The authors concluded that the spillover effect from global EPU to oil exporters is smaller than that from oil importers. Furthermore, the study suggests that emerging markets' stock markets are more exposed to global shocks than are developed ones.

Kundu and Paul (2022) assessed the major stock indices of G7 countires from to 1998-2018 and indicated that EPU increases stock market volatility and decreases returns in the bear market, but the impact is insignificant in the bull market.

Salisu et al. (2023) investigated how the quality of political signals influences the predictive power of EPU on stock market volatility, using data from the US and the UK. The authors report that EPU positively affects market volatility. Additionally, high-quality policy signals foster the predictive power of EPU for future stock market volatility. Low quality signals weaken the positive relationship between EPU and stock volatility. In other words, incorporating signal quality helps improve forecast accuracy, which benefits both firms and investors. However, Salisu et al. (2023) noticed distinct differences between how the US and UK markets respond to policy signals.

Other studies have found contradictory results. For example, Ghani and Gahni (2023) examined how Pakistan's stock market reacts to domestic and global EPU, particularly the EPU index of its trading partners, including China, the US, and the UK. Their study showed that the US EPU index is the most powerful predictor of stock market volatility in

Pakistan. The UK EPU index also provides valuable predictive information. However, the EPU indices in Pakistan and China EPU indices do not significantly predict stock market volatility during the sample period. The findings remain consistent during the COVID-19 pandemic and are in accordance with different forecasting methods and time windows.

Choi and Shim (2018) comprehensively compared the impact of EPU and financial uncertainty shocks on economic output, which is measured by stock market volatility. The analysis uses data from six emerging markets: Chile, China, Brazil, India, Korea, and Russia. The study reported that financial uncertainty shocks have a stronger and more significant negative impact on economic output than policy uncertainty shocks in most countries. However, China shows different results, where EPU has more impact due to direct government control over its financial markets. The findings suggest that financial frictions are a key channel through which uncertainty shocks affect emerging stock markets.

Liu et al. (2023) analyzed the impact of domestic and global EPU on the long-run of tourism stock indices in China and revealed that both China and global EPU indices significantly and negatively impact the long-run volatility of the market. Furthermore, the negative influence of global EPU on tourism firms' performance is short-term. This study highlights the diverse impacts of EPU on various sectors of the economy.

In summary, the literature suggests that EPU generally increases stock market volatility, but the relationship is affected by factors such as signal quality, global economic conditions, and country-specific characteristics. Furthermore, the literature on the impact of EPU on emerging and developing stock markets is limited for small economies such as Vietnam. As Vietnam provides an interesting socioeconomic context, research on how EPU impacts Vietnamese stock markets provides valuable insights for firms, investors, and policymakers.

3. DATA AND METHOD

3.1. Data

We estimate the impact of EPU on Vietnamese stock market volatility using monthly time series data from April 2011 to December 2024. Data on EPU is retrieved from the website of https://www.policyuncertainty.com. The data used to compute stock market volatility, exchange rate, interest rate, and industrial production index are collected from the WiData database.

We selected the sample period from March 2011 to December 2024 based on data availability. Nevertheless, this sample period comprises significant economic events in Vietnam that directly influence the country's stock market volatility, such as the aftermath of the 2008-2009 global financial crisis recovery phase, the domestic monetary policy tightening during the 2011-2012 European sovereign debt crisis, policy responses to the U.S. – China trade war, and unprecedented disruptions caused by the COVID-19 pandemic. Hence, examining the relationship between EPU and stock market volatility during this period provides valuable insights for firms, investors, and regulators.

3.2. Model and methods

Following the approach of Fakunmoju (2024), Simran and Sharma (2024), and Yuan et al. (2022), we propose the following model:

$$VN\_volatility_t = \beta_0 + \beta_1 EPU\_VN_t + \beta_2 Industrial_t + \beta_3 CPI_t + \beta_1 Exchange_t$$

where *VN_volatility* denotes the volatility of the Vietnamese stock market. Following Schwert (2011) and Turner and Weigel (1992), we compute the monthly stock market volatility scores by the standard deviations of daily returns within each month of the VN index. *EPU_VN* is the economic policy uncertainty index for Vietnam. Control variables include *Industrial*, CPI, and *Exchange*.

Industrial is the index of industrial production in Vietnam. According to Engle et al. (2013), industrial production plays as a driver for stock market volatility, and their relationship is generally negative, with increased industrial production generally leading to reduced stock market volatility. Wei et al. (2020) explained that industrial production serves as an indicator of overall economic development. When industrial production increases, it signals economic expansion, which typically leads to improved firm performance and investor confidence. This, in turn, reduces stock market uncertainty and volatility. When the economy faces a downturn or recession, industrial production declines, and stock market volatility tends to increase as a result of heightened uncertainty and risk aversion among investors (Hamilton & Lin, 1996). Abbas et al. (2018) researched G-7 countries and identified industrial production as one of the most significant macroeconomic factors influencing stock market volatility.

CPI refers to Vietnam's monthly inflation rate. According to Batten et al. (2023), inflation can impact energy prices and production costs, which consequently affects stock market dynamics. Higher inflation levels reflect higher levels of uncertainty in the economy, leading to greater stock market volatility. Sreenu (2023) investigated the influence of inflation on market returns and reported a long-term relationship between these two elements. Battern et al. (2023) demonstrate that incorporating low-frequency inflation data enhance the predictability of energy market volatility. Kim et al. (2021) discussed that the impact of inflation of market volatility can be indirect. Specifically, inflation expectations can affect bond market volatility, which consequently leads to increased borrowing costs and stock market volatility.

Exchange represents the average USD/VND exchange rate, which is represented by the central exchange rate announced by the State Bank of Vietnam. Exchange rate fluctuations generally increase market volatility by affecting the stock prices and returns. Specifically, currency depreciation can boost exports and benefit export-oriented firms, which may

positively increase their stock prices (Sreenu, 2023). Conversely, exporters can be negatively influenced by currency appreciation. Furthermore, exchange rate volatility can create uncertainty for foreign firms and investors, potentially leading to increased stock market volatility (Auboi & Ruta, 2013). Ali et al. (2020) confirms the adverse impacts of exchange rate fluctuations on stock market performance for Pakistan stock market.

Table 1. Variable description

No.	Variable name	Description
1	*VN_volatility*	Standard deviation of daily return of stock market within a month of VNindex (Schwert, 2011; Turner & Weigel, 1992)
2	*EPU_VN*	Economic Policy Uncertainty Index of Vietnam (Baker et al., 2016)
3	*Industrial*	Industrial Production Index of Vietnam (WiData, 2025)
4	*CPI*	Monthly Inflation rate of Vietnam (WiData, 2025)
5	*Exchange*	Monthly average USD/VND exchange rate (WiData, 2025)

To estimate model (1), various time-series analysis methods can be used, such as Ordinary Least Squares (OLS), Vector Autoregression (VAR) model, Autoregresssitve Distributed Lag (ARDL), and Error Correction Model (ECM) (Wooldridge, 2013). However, based on our data characteristics, we identified the VAR model as the most important estimation method. The procedure is as follows.

+ The first step is to check if all variables are stationary using the ADF unit root test.
+ Choosing the optimal lag length of variables using the AIC, HQIC, or SBIC criteria
+ Estimate the VAR model using the selected lag
+ Post-estimation tests: Granger causality, autocorrelation, stability test, and normality of residuals tests.

4. RESULTS AND DISCUSSION

4.1. Descriptive statistics

Table 2 presents the descriptive characteristics of the variables used in this model. The data in Table 2 show that the Vietnamese stock market has a considerable level of volatility, and the Vietnamese EPU index also shows significant variation during the sample period.

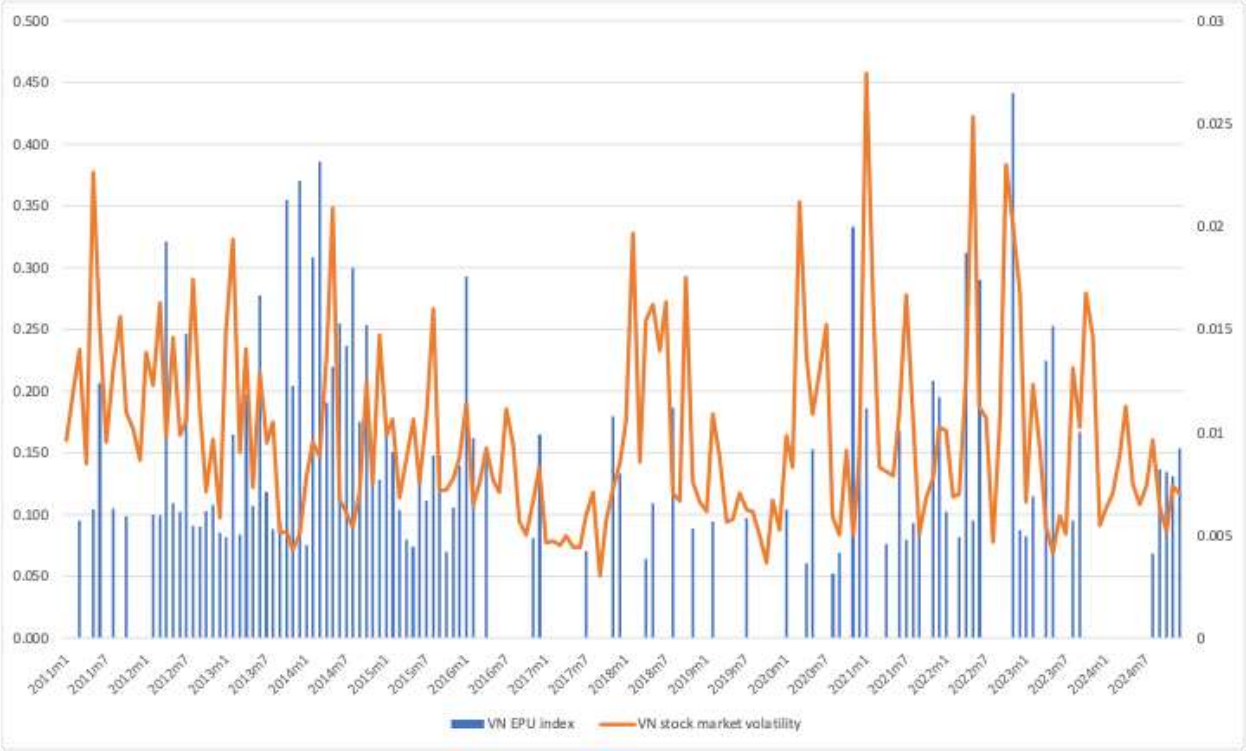
Table 2. Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
VN_volatility	204	.011	.006	.003	.031
EPU_VN	204	.101	.102	0	.441
Industrial	162	-2.622	.605	-6.215	-1.275
CPI	204	4.458	.234	3.835	4.763
Exchange	168	10.012	.052	9.849	10.098

Source: *Author's calculation*

To further examine the changes in the Vietnamese stock market and the EPU index, we examine the trends in Figure 1. Figure 1 shows that the EPU index for Vietnam has fluctuated significantly, particularly during an economic downturn or instability, and that the VN stock market volatility changes cyclically with several sharp surges corresponding to the time of uncertainty. Specifically, the period from 2011-2013, the EPU index increased slightly due to credit tightening policies and inflation control measures of Vietnamese government, the volatility scores remained above average, reflecting investors' negative reaction to the polcies. From 2014-2026, the EPU index declined and remained at low levels, the market volatility was also low, showing investors' confidence in the financial market due to stable market policies implemented in this period. From 2018-2020, due to U.S. – China trade tensions and the COVID-19 pandemic, both the EPU index and volatility scores spiked, reflecting a clear relationship between the two elements. From 2021-2022, the EPU and volatility scores showed an upward trend due to the economic stimulus packages and global instability, such as the Russia-Ukraine conflict. From 2023-2024, both indicators show a slight downward trend, implying a more stable investor sentiment and monetary and economic policies.

Figure 1. Vietnamese stock market volatility and EPU index changes



Source: *Ahir et al. (2022), WiData (2025)*

4.2. Model results

Table 3 presents the unit-root test results for the variables used in the model. Table 3 indicates that all variables are stationary at level and are suitable for use in the VAR model.

Table 3. Unit root tests

Variable	Level ADF test	Conclusion
VN_volatility	-8.101***	Stationary
EPU_VN	-9.891***	Stationary
Industrial	-5.565***	Stationary
CPI	-7.187***	Stationary
Exchange	-3.311**	Stationary

*Notes: *, **, and *** corresponds to significance levels of 10%, 5%, and 1% respectively*

Table 4 shows the optimal lag selection of our model, which is lags (2).

Table 4. Optimal lag selection

Lag	AIC	HQIC	SBIC
0	-15.914	-15.861	-15.783
1	-26.165	-25.847	-25.379*
2	-26.539*	-25.955*	-25.097
3	-26.431	-25.582	-24.334
4	-26.279	-25.166	-23.572

Table 5 presents the results of the main regression. Table 5 reports that the coefficients of both lag (1) and lag (2) of VN_EPU are positive and statistically significant at the 10% level, indicating that higher policy uncertainty leads to greater stock market volatility. Our results are consistent with the previous empirical findings of Chowdhury et al. (2022), Syed and Bouri (2021), Kundu and Paul (2022), and Salisu et al. (2023). This result can be explained by various theories, such as the Asymmetric Information Theory, Prospect Theory, or Rational Expectations Theory. Our results confirm that rising economic policy uncertainty widens the information gap among investors, which eventually fosters inconsistency in investors' reactions, amplifies stock trading volumes, and price fluctuations (Ghani & Ghani, 2023). Additionally, as

investors form expectations based on all available data, a high level of economic policy uncertainty can disrupt this process, leading to frequent expectation adjustments and market fluctuations (Arthur, 2018).

Additionally, we found significant impact of previous on current market volatility. Specifically, lag (1) of *VN_volatility* shows a significant positive impact on current VN_volatility, indicating that if the volatility level was high in the previous month, it tends to remain high in the current month. This can be explained behavioural aspects of investors, when markets are in a volatile period, investors remain cautious and more sensitive to news, thereby sustaining elevated levels of market volatility (Glasserman& Mamaysky, 2019).

We also found significant impact of inflation on market volatility. The coefficients show opposing effects across timelines. In the first month, a rising CPI leads to higher market volatility, and the effect reverses in the following month, possibly due to policy adjustments or investor expectations. Specifically, after the initial inflation shock, monetary or fiscal policy interventions tend to be implemented, which help calm investors' reactions and stabilize the market (Schaling & Nolan, 1998). On the other hand, investors' expectations might be adjusted after the first shock, and market volatility is lowered. These results highlight the short-term disruptive effect of inflation shocks on stock market volatility, followed by a medium-term stabilizing adjustment once new information and policy adjustments are absorbed by the market.

Table 5. The impact of EPU on Vietnamese stock market volatility

Variables	**Dependent: *VN_volatility***	
	Coefficient	**t-statistics**
VN_volatility		
L1.	0.326***	3.34
L2.	-0.043*	-0.43
VN_EPU		
L1.	0.0087*	1.88
L2.	0.0081*	1.65
Industrial		
L1.	0.002	1.53
L2.	-0.0004	-0.49
CPI		
L1.	0.182**	1.98
L2.	-0.184**	-2.15
Exchange		
L1.	0.020	0.31
L2.	-0.009	-0.15

*Notes: *, **, and *** corresponds to significance levels of 10%, 5%, and 1% respectively*

To further understand this relationship, we added the exogenous variable *COVID* to the model. *COVID* is a dummy variable representing the COVID-19 pandemic. It takes the value of 1 for the year 2019 and 2020, and 0 otherwise. Table 6 presents the regression results with the exogenous variable. The results confirm the significant impact of *VN_EPU* and *CPI* on stock market volatility, as showed in the baseline model. The *COVID* variable shows a significant negative impact on Vietnamese market stock volatility, reflecting the effect of effective government intervention, investor adaptation, and policy stabilization measures during the period.

Table 6. The impact of EPU on Vietnamese stock market volatility with exegenous variable *COVID*

Variables	**Dependent: *VN_volatility***	
	Coefficient	**t-statistics**
VN_volatility		
L1.	0.295***	3.02
L2.	-0.072	-0.71
VN_EPU		
L1.	0.0092**	2.01
L2.	0.0079*	1.65
Industrial		
L1.	0.0017	1.50

L2.	-0.0002	-0.25
CPI		
L1.	0.159*	1.74
L2.	-0.170**	-2.01
Exchange		
L1.	0.036	0.55
L2.	0.009	0.01
COVID	-0.003*	-1.89

*Notes: *, **, and *** corresponds to significance levels of 10%, 5%, and 1% respectively*

4.3. Post estimation tests

a. Granger causality test

To assess whether independent variables can predict changes in the dependent one, *VN_volatility*, we conduct the Granger causality Wald test. The test results in Table 7 confirm the significant impacts of the *VN_EPU* and *CPI* variables on *VN_volatility*, aligning with the results in Table 5.

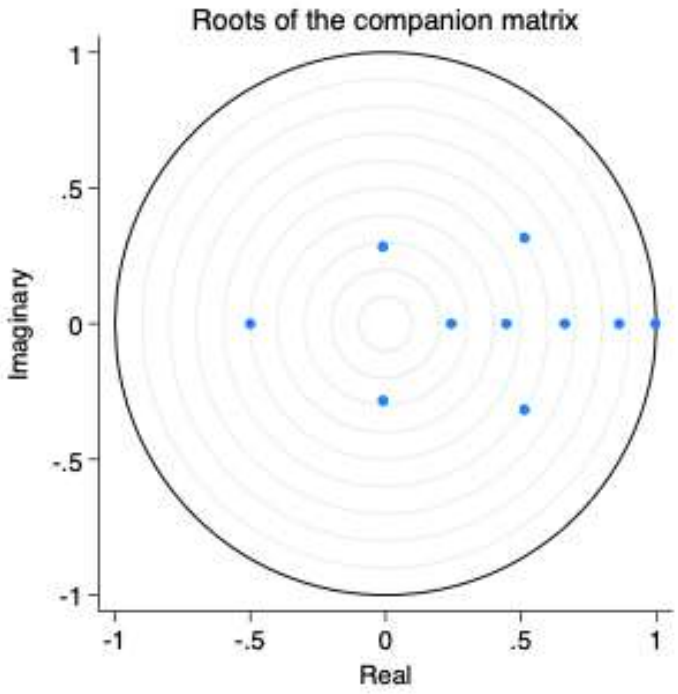
Table 7. Granger causality tests results (Dependent variable: VN_volatility)

Excluded Variable	Chi2	df	p-value
EPU_VN	7.538	2	0.023
Industrial	2.727	2	0.256
CPI	5.473	2	0.065
Exchange	0.113	2	0.945
All	13.492	8	0.096

b. Model stability test

Figure 2 presents the stability check of the VAR model. Figure 2 shows that our model is stable, all the roots of the companion matrix lie strictly within the unit circle, implying that the estimated VAR model satisfies the stability condition. This result indicates that the dynamic relationships among variables are stable over time.

Figure 2. Model stability test



c. Autocorrelation test

Table 8 presents the results of the Lagrange Multiplier (LM) test for autocorrelation in the residuals of the VAR model. The test results indicate that the residuals of the VAR model do not exhibit significant autocorrelation, supporting the relevance of the model specifications and its validity for impulse response and forecast error variance decomposition analyses.

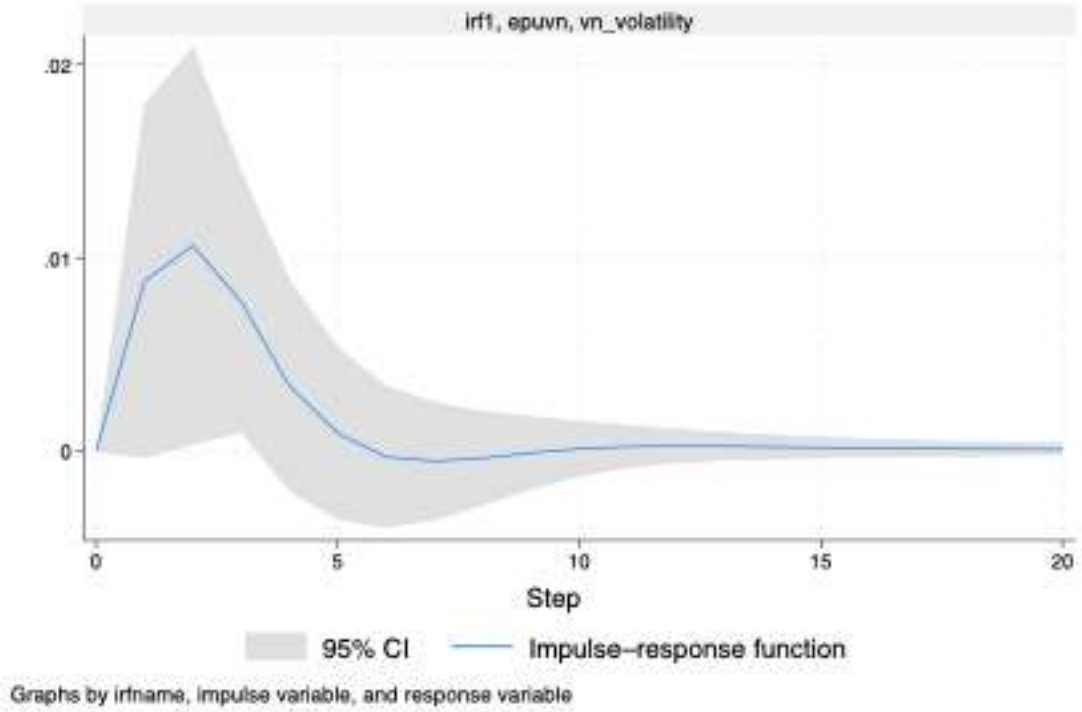
Table 8. Autocorrelation test

Lag	Chi-squared	Degrees of Freedom	p-value
1	36.165	25	0.069
2	36.161	25	0.069

d. The impulse response function (IRF)

Figure 3 illustrates how a one-standard-deviation shock in VN_EPU affects stock market volatility over a 20-month period. The blue line represents the estimated impulse response and the shaded area demonstrates the 95% confidence interval. The results show that an EPU shock leads to an immediate and significant increase in stock market volatility, which peaks around the second month. In other words, economic policy uncertainty causes hightened risk perception among investors, leading to higher volatility in the short term. However, the impact gradually dissipates and becomes statistically insignificant after 5 months, indicating that the market absorbs and adjusts to the shock over time. These results confirm that EPU is a key driver of short-term volatility in the Vietnamese stock markets.

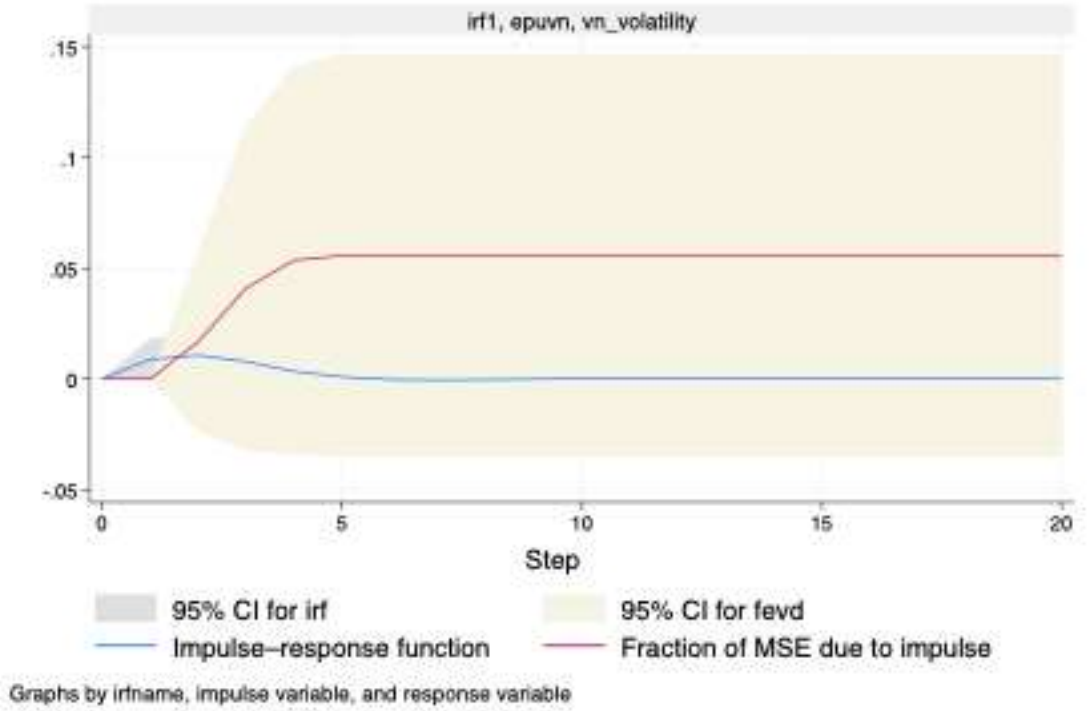
Figure 3. The impulse response function (IRF)



e. Forecast Error Variance Decomposition (FEVD)

Figure 4 displays the FEVD of Vietnamese stock market volatility in response to the EPU shocks. The red line represents the proportion of forecast error variance in VN_volatility, which could be due to changes in VN_EPU over a 20-month period, while the shaded area represents the 95% confidence interval. The results indicate that EPU shocks contribute to approximately 5% of the variation in stock market volatility, with the effect stabilizing around month five and remaining relatively constant thereafter. Although this impact is not dominant, our findings reinforce the role of economic policy uncertainty as a meaningful contributor to market changes.

Figure 4. Forecast Error Variance Decomposition (FEVD)



5. CONCLUSION

This study examines the impact of economic policy uncertainty (EPU) on Vietnamese stock market volatility. Using monthly data from March 2011 to December 2024 and the Vector Autoregression (VAR) model, we capture the relationship between stock market volatility, EPU, and other key macroeconomic variables such as industrial production, inflation, and exchange rate. The results show that economic policy uncertainty in Vietnam has a significant and positive impact on market volatility, with both impulse-response function and Granger causality tests confirming this relationship. The variance decomposition further reveals that policy uncertainty accounts for a meaningful share of market volatility fluctuations. Furthermore, previous market changes and inflation have a significant influence on current market volatility. These findings highlight the critical role of economic policy uncertainty in shaping stock market dynamics in Vietnam and emphasize the need for transparent and stable policy frameworks to mitigate market instability.

Based on these results, we suggest several recommendations for both regulators and investors. For policymakers, the results underline the importance of considering economic policy uncertainty in ensuring the stable operation of the stock market. Policymakers could consider establishing a dedicated and more effective communication channel for economic policy updates to ensure policy stability and transparency. This channel could include regular press briefings, detailed policy reports, and official policy analyses, where stakeholders can easily access information and engage in discussions. Policymakers could further enhance their long-term economic strategies by incorporating key economic objectives to provide a more stable and predictable policy environment. This approach would help mitigate sudden policy shifts that could unfavorably affect the stock market.

Investors could diversify their portfolios across different sectors and geographical regions to mitigate the impact of policy-induced market volatility. By spreading their investments across assets with different sensitivities to economic policy changes, investors can potentially reduce their portfolio risk. Furthermore, institutional investors and fund managers could consider integrating policy uncertainty metrics into their risk management frameworks, which can help stress test portfolios under different policy scenarios and adjust asset allocations accordingly.

Although our study provides valuable insights regarding economic policy uncertainty and stock market volatility, it only focuses on a specific time frame and geographic region, which may limit the generalizability of the findings to other contexts and economic settings. Additionally, our study relied primarily on quantitative data, potentially overlooking the qualitative factors that influence policy stability and market reactions. We suggest that future research expand the scope of our research to include a broader range of countries in the Asian area, allowing for cross-cultural comparisons and more comprehensive insights. Furthermore, future research could incorporate qualitative research methods, such as interviews with investors or policymakers, to gain deeper insights into the impact of economic policy uncertainty on stock market changes.

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Data Availability Statement: Upon reasonable request, the supporting data of this study can be provided by Thi Lam Anh Nguyen.

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