

ABSTRACT

COVID-19 Pandemic changes economic stabilization and increasing stock market index volatility. This research is motivated by the phenomenon of increasing volatility in the stock market index in ASEAN 5 countries, the EPU index during the crisis period due to the COVID-19 pandemic, and no research has been found about the impact EPU to stock market index volatility during COVID-19 Period. The purpose of this study was to analyze the effect of the United States and China's EPU on stock market volatility in ASEAN 5 countries in the period before and during the COVID-19 pandemic.

The sample of this research is the stock index in the ASEAN 5 countries, namely Indonesia, Malaysia, Singapore, Thailand, and the Philippines. The analytical tools used are regression models and Generalized Autoregressive Conditional Heteroscedasticity (GARCH) to see the effect of EPU on stock market index volatility and what past conditional variances affect current volatility. This study uses Efficiency Market Hypothesis (EMH) to see what is the market response influenced by information about U.S EPU and China during pandemic crisis.

The results of the regression tests indicate that in the period before and during the COVID-19 pandemic, there is positive effects the United States EPU on the stock market index volatility of Malaysia, Singapore, and Thailand while Indonesia and Philippines had no positive effect. China EPU has no positive effect on the stock market index volatility of Indonesia, Malaysia, Singapore, Thailand, and the Philippines before and during COVID-19. The result of the GARCH test shows that both the period before and during the COVID-19 pandemic, the past conditional variants affected the current volatility in ASEAN 5 countries. These results show that the stock market index volatility of ASEAN 5 countries in the period before and during COVID-19 was influenced by the previous period's volatility.

Keywords: *Economic Policy Uncertainty (EPU), GARCH, Stock Market Index Volatility, COVID-19 Pandemic*