

STATE OWNERSHIP, GLOBAL UNCERTAINTY, AND STOCK RETURNS: EVIDENCE FROM FIRMS LISTED ON THE HO CHI MINH CITY STOCK EXCHANGE, VIET NAM

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ABSTRACT

This study investigates the spillover effects of global uncertainty on firm-level stock returns in Viet Nam using a panel dataset of 380 firms listed on the Ho Chi Minh City Stock Exchange (HOSE) over the period from 2014 to 2023. Moving beyond the conventional reliance on the Economic Policy Uncertainty (EPU) index, the analysis employs the World Uncertainty Index (WUI), which captures both economic and political uncertainty across three groups of economies, namely advanced (ADVD), emerging (EMEG), and low-income countries (LINC). To address potential endogeneity and dynamic effects, the study applies the System Generalized Method of Moments (SGMM) estimator. The empirical results indicate that global uncertainty is positively associated with stock returns of Vietnamese firms, suggesting that the Vietnamese stock market may serve as a relatively attractive destination for capital flows during periods of international instability. Further analysis reveals significant heterogeneity across ownership structures: privately owned firms exhibit a stronger positive response to global uncertainty, while this effect is weaker among state-owned firms. By providing firm-level evidence from an emerging market characterized by a substantial presence of state ownership, this study contributes to the literature on uncertainty spillovers and market responses. The findings also offer important policy implications for regulators and investors in understanding how ownership structure shapes firm resilience to global shocks.

Keywords: Global uncertainty, advanced economies, emerging market economies, low-income countries, stock returns, Viet Nam.

1. INTRODUCTION

Global economic and political uncertainty has become a key determinant of financial market performance worldwide. In particular, uncertainty may undermine financial market stability [1]–[3], affect investor sentiment [4], [5], alter the risk-return trade-off across economies [6], [7], influence the behavior of sustainability-related markets [8], reshape innovation-related activities [9], and affect firms' investment in research and development [10]. Building on the framework proposed by Dornbusch et al. [11], uncertainty originating in one country may spill over to other countries through multiple transmission channels. As an emerging economy with a high degree of global trade integration, Viet Nam is considered particularly vulnerable to global uncertainty shocks due to its substantial integration into the international trade and financial system [12].

Although uncertainty may arise from economic conditions, political settings, or even trade-related institutions, the existing literature has predominantly used the Economic Policy

Uncertainty (EPU) index developed by Baker et al. [13] as the conventional proxy for uncertainty. Despite its importance, the EPU index does not fully reflect the broader economic and political dimensions of uncertainty, both of which have substantial effects on markets. In this respect, the World Uncertainty Index (WUI) introduced by Ahir et al. [14] appears to be a more comprehensive measure, as it incorporates both the economic and political facets of uncertainty.

Relative to the EPU index, the WUI presents several important advantages. First, it has much wider coverage, spanning more than 143 countries on a quarterly basis since 1952 [14]. Second, the WUI captures both economic and political uncertainty, whereas the EPU primarily concentrates on uncertainty related to economic policy [13]. Third, the Economist Intelligence Unit (EIU) reports used to construct the WUI follow a standardized reporting framework, thereby enabling comparability across countries and over time [14].

Although the literature on uncertainty spillovers is still relatively limited, even fewer studies have investigated how economic and political uncertainty originating from different groups of economies, namely advanced, emerging, and low-income economies, influences stock market performance in an emerging market such as Viet Nam. Moreover, heterogeneity in firm-level responses has not been sufficiently examined, largely because previous studies have focused mainly on market-level approaches.

Against this background, this study aims to fill these gaps by investigating the spillover effects of economic and political uncertainty from groups of economies classified by the International Monetary Fund (IMF) on firm-level stock returns in Viet Nam. Specifically, the study pursues two main objectives. First, it examines the spillover effects of economic and political uncertainty from advanced, emerging, and low-income economies on Vietnamese firms' stock returns in order to better understand how global shocks affect an emerging market. Second, it analyzes the moderating role of state ownership in the relationship between global uncertainty and stock returns, drawing on the Resource-Based View (RBV) of Barney [15] and Bloom [16]. State ownership is particularly relevant in Viet Nam because listed firms include both private firms and firms with direct or indirect state involvement, and investors may evaluate these groups differently during periods of global instability. By focusing on Viet Nam, the study offers country-specific evidence on uncertainty spillovers and ownership-based heterogeneity, while avoiding broad generalization beyond the Vietnamese market.

2. LITERATURE REVIEW

2.1. Global uncertainty, transmission mechanisms, and stock market responses

The literature on uncertainty and financial markets can be synthesized into three main streams that are directly related to this study. The first stream examines how global uncertainty affects stock markets through investor sentiment, risk perception, expected cash flows, and the discount rate channel. The second stream focuses on cross-country spillover effects, emphasizing that uncertainty originating in one economy can be transmitted to another through trade, financial linkages, and correlated investor behavior. The third stream investigates how firm-level characteristics, particularly ownership structure, shape heterogeneous market responses to external shocks. This study connects these three streams by examining global uncertainty spillovers at the firm level and by considering state ownership as a moderating factor in Viet Nam.

From a theoretical standpoint, economic and political uncertainty arising in foreign economies can influence the stock returns of Vietnamese firms through several transmission mechanisms proposed by Dornbusch et al. [11]. At the same time, Barney's resource-based

view (RBV) [15] offers an appropriate lens for understanding why firms may respond differently to such external shocks.

Dornbusch et al. [11] point to a number of channels through which uncertainty may be transmitted internationally, notably trade connections, financial linkages, and interconnected investor behavior. In the case of Viet Nam, the growing integration of its financial system and stock market into global markets in recent years suggests that higher levels of economic and political uncertainty abroad, particularly in economies maintaining strong trade and financial relations with Viet Nam, can be conveyed through these channels and thereby influence the performance of the Vietnamese stock market.

The RBV argues that firm-specific internal resources are fundamental to the creation of sustainable competitive advantage and, consequently, to firm performance [15]. This argument becomes especially pertinent in a more globalized environment, where uncertainty originating outside national borders may significantly shape firms' operations and long-term viability. In Viet Nam, state-owned enterprises (SOEs) are typically large-scale corporations that enjoy access to strategically important resources, including capital, financial backing, land, government procurement opportunities, and technological advantages. Such resource endowments may enable SOEs not only to better absorb global uncertainty but also to contribute to economic expansion and macroeconomic stabilization.

From an RBV perspective, SOEs possessing valuable internal resources may exhibit stronger performance under uncertain conditions, which may in turn be reflected in superior stock returns. Meanwhile, investors may regard SOE stocks more positively during periods of instability, as these firms generally have stronger bargaining positions in credit markets, lower likelihoods of financial distress, and a greater chance of receiving state support in times of crisis [17]–[18]. Consequently, SOE stocks may be considered less risky than those of privately owned firms and may therefore yield lower expected returns. Nevertheless, governments frequently employ SOEs as instruments for achieving political and social goals rather than purely maximizing profits, which can negatively affect both operating efficiency and stock returns [18]–[20]. Therefore, the effect of state ownership on stock returns during periods of uncertainty may be either positive or negative, depending on firm-specific conditions [16].

Indeed, firms differ in their capabilities and internal resource endowments, and these differences may either enhance or constrain their capacity to withstand global shocks. Certain firms may be better positioned to absorb the adverse consequences of global uncertainty because they possess stronger financial cushions or greater adaptive capacity. Among the resources that may mitigate such effects, government backing or state ownership can represent a source of competitive advantage, particularly in times of instability. For instance, Tascón et al. [21] demonstrate that resources such as liquidity and profitability are crucial for preserving firms' financial soundness during global disturbances such as the COVID-19 pandemic. Likewise, Rohrbeck and Kum [22] provide evidence that firms with stronger corporate foresight are more capable of managing future disruptions.

A number of studies also indicate that SOEs may surpass private firms in certain dimensions. Assagaf and Ali [23] report that government subsidies are an important factor explaining the superior performance of SOEs relative to private firms. Qi et al. [24] underscore the contribution of SOEs to social and economic stability in China during the COVID-19 crisis, suggesting that SOEs engage in countercyclical investment that supports macroeconomic stabilization. Similarly, Lee et al. [25] find that an appropriate degree of state ownership improves firms' financial sustainability in emerging economies. In contrast, firms that do not possess adequate resources to buffer uncertainty spillovers are likely to experience more severe negative effects.

Notwithstanding these strengths, SOEs are also subject to important limitations. Marimuthu [26] contends that government support may, in some cases, undermine firms' financial efficiency. Assistance in the form of subsidies or guarantees may weaken incentives to optimize financial performance. In a similar vein, Phi et al. [27] show that SOEs are less profitable than private firms, although they may employ financial leverage more effectively. Kabaciński et al. [28] argue that no unambiguous distinction can be drawn between SOEs and private firms, since each group exhibits its own advantages and disadvantages across financial indicators. Li et al. [29] further argue that deficiencies in cost control, inventory management, and operational management may cause SOEs to perform poorly.

2.2. Uncertainty measures and the relevance of the World Uncertainty Index

Although many previous studies rely on the Economic Policy Uncertainty index, the broader nature of global uncertainty requires a measure that captures both economic and political dimensions. This distinction is important because stock market responses may be driven not only by policy-related uncertainty but also by broader political instability, geopolitical tensions, institutional fragility, and macroeconomic disruptions.

The World Uncertainty Index developed by Ahir et al. [14] is especially suitable for measuring uncertainty because it is derived from Economist Intelligence Unit country reports and reflects uncertainty associated with both economic and political systems on a global scale. Relative to other measures, such as the EPU index developed by Baker et al. [13], which mainly captures variation in economic and trade policy uncertainty, the WUI offers a more comprehensive proxy for global volatility. However, compared with the EPU index, the WUI has been used less frequently in studies explaining stock returns. For this reason, the present study relies primarily on the literature examining the relationship between EPU and stock returns as a benchmark.

2.3. Cross-country spillover effects of uncertainty

A second major research stream examines whether uncertainty shocks are transmitted across borders. This literature is particularly relevant for Viet Nam because the country is deeply integrated into global trade and financial flows. Therefore, uncertainty originating from different groups of economies may affect Vietnamese firms through both direct trade exposure and indirect investor portfolio reallocation.

Regarding empirical evidence on the impact of uncertainty spillovers on financial markets, the literature can be broadly divided into two streams. The first examines the effect of domestic uncertainty on domestic stock markets. The second, which is less prevalent, investigates cross-border spillover effects of uncertainty, particularly economic policy uncertainty measured by the EPU index, from major economies such as the United States and China to other countries. Balli et al. [30] investigate the transmission of U.S. economic policy uncertainty to multiple stock markets and show that the magnitude of these spillovers depends substantially on bilateral trade relationships, financial connections, and the internal resilience of the recipient country's financial market. As Viet Nam maintains extensive trade ties with advanced, emerging, and low-income economies, its stock market may reasonably be expected to respond to uncertainty arising from multiple external sources. Nguyen et al. [31] find that increases in U.S. EPU significantly undermine stock market efficiency in many European countries. This result aligns with the argument of Dornbusch et al. [11] concerning the international transmission of uncertainty. In the same direction, Chiang [32] and Istiak and Alam [33] document a pronounced negative influence of U.S. EPU on stock markets in Japan, China, and the Gulf Cooperation Council countries.

In addition to developed economies such as the United States, China has become an increasingly significant source of uncertainty spillovers. Tang et al. [34] show that Japan and

China play key roles in transmitting uncertainty across Asia-Pacific financial markets. Abdel Latif and Popescu [35] likewise stress China's importance, arguing that uncertainty originating there affects not only global growth, inflation, and commodity prices, but also extends far beyond the region itself. Beyond the United States and China, certain economically dominant countries within a region may also serve as important sources of uncertainty spillovers. For example, Chancharat and Chancharat [36] identify the United States, South Korea, and Singapore as major sources of financial uncertainty within ASEAN. Given Viet Nam's active trade relationships with these economies, spillovers from them are particularly relevant. Similarly, Clausen et al. [37] show that Germany, as the leading advanced economy in Europe, plays a pivotal role in generating uncertainty within the Euro area. Even in relatively underexplored regions such as the Middle East and North Africa, Elsayed and Helmi [38] find that geopolitical risks may generate strong spillover effects during major crises. Conversely, spillover effects are not transmitted solely from developed economies to developing ones. Ghirelli et al. [39] show that Latin American countries can influence the Spanish economy through lower investment and trade flows, illustrating that in an increasingly globalized world, less developed economies may also exert reverse spillover effects on larger economies.

In the Vietnamese context, the country has emerged as one of the most dynamic developing markets in Southeast Asia and has pursued active integration into global trade since the introduction of the Doi Moi reforms in the late 1980s. Inflows of foreign direct investment into Viet Nam have consistently exceeded 3% of GDP for more than twenty years [40], while annual GDP growth has remained at approximately 6–7% on average [41]. Moreover, Viet Nam participates in several major free trade agreements, including the CPTPP and the EVFTA. These agreements have not only lowered trade barriers but have also supported robust economic expansion. Nevertheless, the benefits associated with globalization are accompanied by substantial challenges, particularly the exposure to spillovers from global uncertainty shocks. As a result, economic fluctuations in partner countries may easily transmit to Viet Nam's economy and financial markets [12]. Put differently, globalization functions not only as an engine of growth but also as a potential source of fragility when an economy lacks sufficient resilience to external disturbances.

2.4. State ownership and heterogeneous firm-level market responses

A third research stream emphasizes that firms do not respond uniformly to external uncertainty shocks. Ownership structure is especially important in emerging markets, where state ownership may signal implicit government support, preferential access to policy-related resources, and stronger political connections. At the same time, state ownership may also be associated with administrative rigidity, governance inefficiencies, and political objectives that are not fully aligned with shareholder value maximization. This dual role makes state ownership a theoretically relevant moderating variable rather than a simple control variable.

Although a substantial body of research has investigated the relationship between uncertainty and stock markets, the moderating effect of state ownership on this relationship remains insufficiently examined. One reason is that much of the prior literature has been developed in settings where SOEs do not occupy as prominent a position as they do in Viet Nam. By contrast, Viet Nam's SOE sector plays an important stabilizing role in the economy and is considered one of the largest SOE sectors in the world [42], generating millions of jobs and contributing more than 25% of both GDP and government revenue.

In addition to uncertainty, stock returns may also be influenced by a range of other determinants. At the firm level, these include liquidity [43], firm size and financial leverage [44], and state ownership [45]. At the macroeconomic level, relevant factors include exchange rates, GDP, and interest rates [46], as well as extraordinary shocks such as COVID-19 [47].

These variables are therefore included as control variables in the empirical model in order to produce more robust estimates.

2.5. Research gaps and contributions

Drawing on the above theoretical and empirical literature, several important research gaps may be identified. First, most prior studies employ the EPU index as the main proxy for uncertainty, whereas broader indicators such as the WUI have received relatively limited attention. In the context of increasingly complex global economic and political instability, the WUI may offer a more comprehensive perspective because it simultaneously captures both economic and political dimensions, which are two fundamental drivers of market behavior. Second, the majority of studies focus predominantly on the United States as the principal source of uncertainty spillovers, while paying insufficient attention to other economies, particularly emerging and low-income countries. Dornbusch et al. [11] argue that uncertainty can be transmitted between any two countries provided that a transmission mechanism, such as trade or financial linkage, is present. Therefore, overlooking other economies whose trade relationships with Viet Nam have become increasingly significant constitutes an important gap in the literature. Third, most existing empirical studies rely on aggregate stock market indices to assess market performance rather than undertaking firm-level analyses. Although a market-level approach offers a general picture, it fails to capture heterogeneity across firms in terms of characteristics such as size, liquidity, leverage, and state ownership. As suggested by Barney [15] and Bloom [16], firms may react differently to the same shock, and this variation cannot be fully reflected in macro-level analysis.

To address these gaps, the present study seeks to make three main contributions. First, it employs the WUI to capture uncertainty originating from advanced, emerging, and low-income economies, thereby extending the literature beyond the conventional focus on EPU and uncertainty from major developed economies. Second, it adopts a firm-level approach, thereby allowing differences in firm responses to be examined more explicitly. Third, it investigates the moderating effect of state ownership in order to assess whether state-owned firms respond differently to global shocks compared with private firms. Through these contributions, the study offers a more comprehensive understanding of global uncertainty spillovers in Viet Nam. Nevertheless, the findings are interpreted as evidence from the Vietnamese market rather than as a universal conclusion for all emerging markets.

3. DATA AND METHODOLOGY

3.1. Data and variables

The data used in this study are collected from various secondary sources. Financial statements of 380 firms listed on the Ho Chi Minh City Stock Exchange (HOSE) are used to construct firm-level variables, while the stock prices of these firms are collected in parallel. The financial statement data cover the period from 2014 to 2023, whereas stock price data span from January 2014 to December 2023. Macroeconomic data are obtained from the World Bank and the International Monetary Fund. Data on economic and political uncertainty for advanced, emerging, and low-income economies are drawn from Ahir et al. [14]. In addition, winsorization at the 1st and 99th percentiles is applied to mitigate the influence of potential outliers in the dataset.

The variables are divided into three main groups: the dependent variable, the main independent variables, and control variables.

The dependent variable is annual stock return, denoted as SRT, which is calculated using four alternative methods in order to ensure robustness and minimize potential bias arising from a particular return measure. These alternative measures are denoted as SRT1, SRT2, SRT3, and

SRT4. Because alternative return measures may capture different aspects of market performance, the interpretation of the results across these measures is made cautiously, especially when the magnitude or sign of the estimated coefficients varies across specifications.

The main independent variables are the World Uncertainty Index for different groups of economies, including ADVD for advanced economies, EMEG for emerging market economies, and LINC for low-income countries. The WUI is calculated based on the frequency of the word 'uncertainty' in quarterly EIU country reports covering more than 143 countries [14]. To construct annual measures, the arithmetic mean of the quarterly indices within each year is used.

The control variables include both firm-level and macroeconomic variables. Firm-level controls consist of SIZE, measured by total assets and transformed into natural logarithms to mitigate heteroskedasticity; LVR, measured by the debt-to-equity ratio; LQD, measured by the ratio of current assets to current liabilities; and STO, a dummy variable equal to 1 if the firm has state ownership and 0 otherwise. Notably, the state ownership status does not change during the sample period. Macroeconomic controls include GDP, measured in natural logarithms; EXCR, the VND/USD exchange rate, also measured in natural logarithms; INTR, the borrowing cost; and CVID, a dummy variable equal to 1 for the years 2020–2023 and 0 otherwise.

Table 1. Descriptive Statistics

<i>Variable</i>	<i>Mean</i>	<i>Median</i>	<i>Std. Dev.</i>	<i>Min</i>	<i>Max</i>
SRT1	0.2328	0.1169	0.6230	-0.7561	3.1761
SRT2	0.0896	0.1034	0.4995	-1.4226	1.4600
SRT3	0.1957	0.0873	0.5664	-0.7314	2.7526
SRT4	0.0083	0.0080	0.0426	-0.1145	0.1333
ADVD	26,127.35	23,576.38	9,068.01	15,908.75	47,373.50
EMEG	24,656.53	23,120.63	4,763.92	17,425.00	33,622.00
LINC	23,507.95	23,036.13	5,746.72	15,617.25	34,524.75
SIZE	14.3367	14.3511	2.9622	0	20.2624
LVR	1.8783	0.9998	2.8621	0.0249	16.7356
LQD	0.5742	0.6166	0.2588	0.0281	0.9874
GDP	22.6877	22.7179	0.2454	22.3200	23.0897
INTR	7.7684	7.6775	0.7091	6.9600	9.3230
EXCR	10.0261	10.0356	0.0350	9.9593	10.0769
STO	0.1395	0	0.3465	0	1
CVD	0.4000	0	0.4900	0	1

Source: Authors' calculations.

3.2. Estimation method

This study employs the System Generalized Method of Moments (SGMM), developed by Arellano and Bond [48] and Blundell and Bond [49], as the main estimation method.

The SGMM estimator is chosen because it is particularly suitable for dynamic panel data and effective in addressing endogeneity concerns. By using lagged values of the dependent variable and other appropriate variables as instruments, SGMM helps mitigate endogeneity and thereby enhances the reliability of the estimation results. However, because SGMM may suffer from instrument proliferation, which weakens the reliability of the Hansen test, collapsed instruments are used in all models following the recommendation of Roodman [50]. In addition, several diagnostic tests are conducted to ensure the robustness of the estimation results, including the AR(2) test for second-order autocorrelation in the residuals, the Sargan and Hansen tests for the validity of the instruments, and the Difference-in-Hansen test for the validity of subsets of instruments.

3.3. Model specification

The theoretical foundation for the empirical model is built on Barney's RBV [15], combined with empirical evidence on the effects of global uncertainty on firm performance [16]. Under the RBV, internal firm characteristics such as ownership structure, size, financial flexibility, and managerial capability determine how firms respond to external shocks. In the context of an increasingly integrated Vietnamese economy that is becoming more exposed to global volatility, global uncertainty indicators such as the WUI may serve as comprehensive proxies for systemic risks transmitted from major economies to the domestic market [5], [31]. However, the extent to which these shocks affect individual firms may vary depending on structural characteristics, among which state ownership is considered a key moderating factor.

State ownership is selected as the moderating variable because it represents an important institutional feature of Viet Nam's stock market. Firms with state ownership may be perceived differently by investors during periods of global uncertainty due to implicit government support, preferential access to policy-related resources, political connections, and lower perceived default risk. At the same time, state ownership may also introduce governance constraints, administrative rigidity, and political objectives that reduce market responsiveness. Therefore, the role of state ownership is theoretically ambiguous and must be examined empirically.

Recent studies suggest that SOEs tend to respond less strongly to market fluctuations because of state protection, bureaucratic governance structures, and weaker competitive incentives [25], [28]. Therefore, when analyzing the relationship between global uncertainty and firm stock returns, incorporating interaction terms between selected WUI variables and state ownership allows the moderating role of ownership structure to be tested. In line with the empirical scope of the study, the moderating models focus on the interaction terms $ADVD \times STO$ and $EMEG \times STO$ to examine whether state ownership weakens or amplifies the relationship between global uncertainty and firm stock market performance.

The expected sign of the coefficient on global uncertainty may be either positive or negative, depending on whether investors perceive Vietnamese stocks as risky assets or as relatively attractive assets during global instability. For the interaction term between uncertainty and state ownership, the expected sign is opposite to that of the direct uncertainty effect, as SOEs are generally more stable and more likely to receive government support during periods of market instability [51]. However, this expectation is interpreted cautiously because state ownership may also be associated with governance inefficiencies and slower adjustment to market signals.

(1) *Baseline model with uncertainty from advanced economies (ADVD):*

$$SRT_{i,t} = \beta_0 + \beta_1 SRT_{i,t-1} + \beta_2 ADVD_{t-1} + \beta_3 SIZE_{i,t} + \beta_4 LVR_{i,t} + \beta_5 LQD_{i,t} + \beta_6 STO_i + \beta_7 GDP_t + \beta_8 EXCR_t + \beta_9 INTR_t + \beta_{10} CVID_t + \varepsilon_{i,t} \quad (1)$$

(2) *Baseline model with uncertainty from emerging market economies (EMEG):*

$$SRT_{i,t} = \beta_0 + \beta_1 SRT_{i,t-1} + \beta_2 EMEG_{t-1} + \beta_3 SIZE_{i,t} + \beta_4 LVR_{i,t} + \beta_5 LQD_{i,t} + \beta_6 STO_i + \beta_7 GDP_t + \beta_8 EXCR_t + \beta_9 INTR_t + \beta_{10} CVID_t + \varepsilon_{i,t} \quad (2)$$

(3) *Baseline model with uncertainty from low-income economies (LINC):*

$$SRT_{i,t} = \beta_0 + \beta_1 SRT_{i,t-1} + \beta_2 LINC_{t-1} + \beta_3 SIZE_{i,t} + \beta_4 LVR_{i,t} + \beta_5 LQD_{i,t} + \beta_6 STO_i + \beta_7 GDP_t + \beta_8 EXCR_t + \beta_9 INTR_t + \beta_{10} CVID_t + \varepsilon_{i,t} \quad (3)$$

(4) *Model for the moderating role of state ownership in the relationship between ADVD and stock returns:*

$$SRT_{i,t} = \beta_0 + \beta_1 SRT_{i,t-1} + \beta_2 ADVD_{t-1} + \beta_{11}(ADVD_{t-1} \times STO_i) + \beta_3 SIZE_{i,t} + \beta_4 LVR_{i,t} + \beta_5 LQD_{i,t} + \beta_6 STO_{i,t} + \beta_7 GDP_t + \beta_8 EXCR_t + \beta_9 INTR_t + \beta_{10} CVID_t + \varepsilon_{i,t} \quad (4)$$

(5) *Model for the moderating role of state ownership in the relationship between EMEG and stock returns:*

$$SRT_{i,t} = \beta_0 + \beta_1 SRT_{i,t-1} + \beta_2 EMEG_{t-1} + \beta_{11}(EMEG_{t-1} \times STO_i) + \beta_3 SIZE_{i,t} + \beta_4 LVR_{i,t} + \beta_5 LQD_{i,t} + \beta_6 STO_{i,t} + \beta_7 GDP_t + \beta_8 EXCR_t + \beta_9 INTR_t + \beta_{10} CVID_t + \varepsilon_{i,t} \quad (5)$$

Where, $SRT_{i,t}$ denotes the annual stock return of firm i at time t , proxied by four alternative measures, namely SRT1, SRT2, SRT3, SRT4. $SRT_{i,t-1}$ is the one-year lagged value of the dependent variable, capturing the dynamic nature of the model. $ADVD_{t-1}$, $EMEG_{t-1}$, and $LINC_{t-1}$ are the lagged WUI measures for different groups of economies, included with a one-year lag to reflect delayed firm responses. STO_i is a dummy variable for state ownership. The other control variables, including SIZE, LVR, LQD, GDP, EXCR, INTR, and CVID, are defined in the previous section. In Models (4) and (5), the interaction terms between uncertainty and state ownership (STO_i) and (STO_i) make it possible to test whether state-owned enterprises respond differently to global uncertainty shocks compared with private firms. The coefficients β_2 and β_{11} may be either positive or negative, depending on whether investors perceive Vietnamese stocks as risky assets or as a safe haven. As for β_{11} , the expected sign is opposite to that of β_2 , since state-owned enterprises tend to be more stable and are more likely to receive government support during periods of market instability [51].

4. EMPIRICAL RESULTS

4.1. Spillover effects of uncertainty from Advanced Economies

Table 2. Spillover effects of uncertainty from Advanced Economies

Variable	SRT1	SRT2	SRT3	SRT4
Lagged dependent variable	-0.345*	-0.905**	-0.872***	-0.663***
ADVD(t-1)	0.0000211**	0.0000353***	0.00000269*	0.0000219**
SIZE	3.911***	2.849***	0.287***	3.920***
LVR	-0.224	0.702	-0.035***	-0.393**
LQD	16.705***	13.247***	1.863***	23.147***
STO	59.281	-68.098	-0.514	-11.284
GDP	-6.866***	-2.204	-0.241	-4.591
EXCR	17.175	-12.518	-0.410	3.568
INTR	0.269	1.100***	-0.001	0.076

Variable	SRT1	SRT2	SRT3	SRT4
CVID	-0.241	-0.529	-0.054	-0.386
AR(2)	0.293	0.154	0.309	0.249
Sargan	0.117	0.419	0.527	0.474
Hansen	0.301	0.439	0.627	0.383
Difference-in-Hansen	0.638	0.648	0.446	0.785

Notes: ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Source: Authors' calculations.

The empirical results show that uncertainty originating from advanced economies is positively associated with Vietnamese firms' stock returns. Across all specifications, the coefficient on lagged advanced-economy uncertainty is positive and statistically significant, suggesting that greater uncertainty in advanced economies is linked to higher stock returns in Viet Nam.

This finding should be interpreted in relation to previous studies on uncertainty and stock markets. While many studies document a negative relationship between uncertainty and stock market performance, especially through higher risk aversion and lower investor confidence, the present result suggests that the effect may be more nuanced in an emerging market context. In Viet Nam, uncertainty in advanced economies may lead some investors to rebalance portfolios toward markets perceived as having relatively resilient growth prospects. Therefore, the result is consistent with the capital reallocation and spillover channels emphasized in the uncertainty literature, but it should not be interpreted as unconditional evidence that Viet Nam is a universal safe haven.

The coefficients on the lagged dependent variable are generally negative and significant, indicating short-run return reversal. Among the control variables, firm size and liquidity exhibit positive and consistent effects across specifications, whereas the remaining controls do not display stable patterns. The diagnostic tests, including AR(2), Sargan, Hansen, and Difference-in-Hansen, suggest no major econometric problems. Overall, these findings imply that uncertainty originating from advanced economies may redirect some capital toward the Vietnamese stock market, consistent with the view that Viet Nam may be perceived as a relatively attractive investment destination during periods of heightened global instability.

4.2. Spillover effects of uncertainty from Emerging Market Economies

Table 3. Spillover effects of uncertainty from Emerging Market Economies

Variable	SRT1	SRT2	SRT3	SRT4
Lagged dependent variable	-0.464***	-1.763**	-0.361**	-0.358**
EMEG(t-1)	0.0000858**	0.0002315***	0.00000959**	0.0001117**
SIZE	4.034***	5.341***	0.289***	4.182***
LVR	-0.274	-0.342	0.066*	0.645
LQD	22.210***	20.235**	1.724***	25.199***
STO	136.008	553.910	5.338	68.966

Variable	SRT1	SRT2	SRT3	SRT4
GDP	-4.519	15.954*	-0.117	-1.908
EXCR	1.444	-94.823*	-0.931	-11.493
INTR	-0.510	-4.817***	-0.062	-0.767
CVID	0.159	-0.357	-0.006	-0.084
AR(2)	0.082	0.204	0.511	0.290
Sargan	0.121	0.108	0.131	0.290
Hansen	0.394	0.332	0.190	0.415
Difference-in-Hansen	0.552	0.463	0.221	0.386

Notes: ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Source: Authors' calculations.

The results further indicate that uncertainty originating from emerging market economies is also positively associated with Vietnamese firms' stock returns. The estimated coefficients remain positive and statistically significant across alternative stock return measures, suggesting that rising uncertainty in emerging markets may be associated with capital reallocation toward Viet Nam.

Compared with prior studies that mainly focus on uncertainty from the United States, China, or other major economies, this result highlights the relevance of uncertainty originating from emerging markets. Nevertheless, the interpretation must remain cautious. Since the study focuses only on Viet Nam and does not compare the Vietnamese market with other emerging markets such as Thailand, the Philippines, India, or Brazil, the finding should be viewed as Viet Nam -specific evidence rather than as a general conclusion for all emerging markets.

As in the previous set of models, the lagged dependent variable remains negative, reinforcing the presence of return reversal. Firm size and liquidity continue to display stable positive effects, while the remaining controls do not exhibit a consistent pattern. The post-estimation diagnostic tests again support the validity of the instruments and the reliability of the estimated models. Taken together, these findings suggest that Viet Nam may benefit when some investors reallocate capital away from more volatile emerging markets in search of relatively stable alternatives, but the generalizability of this mechanism should be examined in future comparative studies.

4.3. Spillover effects of uncertainty from Low-Income Countries

Table 4. Spillover effects of uncertainty from Low-Income Countries

Variable	SRT1	SRT2	SRT3	SRT4
Lagged dependent variable	1.424**	1.095***	1.061**	-0.681***
LINC(t-1)	0.0000669***	0.0000675***	0.00000569***	0.0000261**
SIZE	2.942*	-0.871**	0.363***	3.252***
LVR	-0.160	0.799**	-0.014*	-0.401***
LQD	12.267*	7.553	0.110	18.965***

Variable	SRT1	SRT2	SRT3	SRT4
STO	271.975	4.851	0.659	-16.441
GDP	-23.350***	-14.753***	-1.697***	-8.878***
EXCR	136.362***	95.899***	8.630***	39.891***
INTR	1.745***	2.146***	0.149***	0.065
CVID	-0.220	-0.105	-0.018	-0.001
AR(2)	0.387	0.219	0.127	0.127
Sargan	0.404	0.170	0.255	0.284
Hansen	0.958	0.280	0.323	0.166
Difference-in-Hansen	0.720	0.761	0.606	0.451

Notes: ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Source: Authors' calculations.

The estimations using uncertainty originating from low-income countries also produce positive and statistically significant coefficients, indicating that greater uncertainty in low-income economies is associated with higher stock returns in Viet Nam. However, this finding should be interpreted more cautiously than the results for advanced and emerging economies. The LINC index may partly capture broader episodes of global instability that coincide with uncertainty in vulnerable economies, rather than uncertainty exclusively originating from low-income countries.

In this case, GDP and the exchange rate display clearer effects than in the previous specifications, with GDP showing a negative association and the exchange rate a positive one in several models. Other control variables, however, remain less stable across specifications. In addition, the coefficients of the lagged dependent variable exceed one in the SRT1, SRT2, and SRT3 specifications, while the SRT4 specification yields a negative coefficient. This pattern suggests that the LINC results are more sensitive to the construction of the stock return variable and should therefore be interpreted as suggestive rather than conclusive evidence.

Taken together, these results suggest that uncertainty associated with low-income countries may be positively related to Vietnamese stock returns, but the economic interpretation requires caution. A plausible explanation is that periods of uncertainty in low-income economies may overlap with wider global instability, during which some capital may move toward markets perceived as more promising and relatively stable. Future research could further examine this issue by comparing Viet Nam with other emerging markets and by applying alternative methods to separate low-income-country uncertainty from broader global uncertainty.

4.4. The moderating role of state ownership

Table 5. Moderating role of state ownership: Advanced Economies

Variable	SRT1	SRT2	SRT3	SRT4
Lagged dependent variable	-0.092	-0.756***	-0.255***	-0.181*
ADVD(t-1)	0.000042***	0.0000436***	0.00000355***	0.0000397**

Variable	SRT1	SRT2	SRT3	SRT4
ADVD(t-1) × STO	-0.0000142**	-0.0000128**	0.00000186***	-0.0000233***
SIZE	3.585***	3.505***	0.272***	3.789***
LVR	-0.271	-0.163*	-0.017*	-0.225**
LQD	21.227***	16.241***	1.358**	18.843***
STO	82.087	-21.184	1.455	-85.818
GDP	-5.333*	-1.036	-0.361	-5.407
EXCR	13.715	-8.950	0.545	8.488
INTR	0.325**	-0.110	0.029**	0.377**
CVID	-0.727*	-0.604	-0.038	-0.261
AR(2)	0.236	0.100	0.401	0.404
Sargan	0.409	0.327	0.665	0.576
Hansen	0.560	0.206	0.565	0.483
Difference-in-Hansen	0.488	0.715	0.613	0.684

Notes: ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Source: Authors' calculations.

Table 6. Moderating role of state ownership: Emerging Market Economies

Variable	SRT1	SRT2	SRT3	SRT4
Lagged dependent variable	-0.003	0.278*	-0.176*	-0.169*
EMEG(t-1)	0.0001104**	0.0001423**	0.00000762**	0.0001055**
EMEG(t-1) × STO	-0.0000325**	-0.0000537**	-0.00000240**	-0.0000226*
SIZE	4.333***	3.012***	0.305***	3.669***
LVR	-0.307	-0.196*	-0.027**	-0.280
LQD	24.359***	19.602***	1.947***	23.793***
STO	48.037	-35.895	-7.446	15.829
GDP	-6.867*	-3.510	-0.553*	-4.767
EXCR	9.681	-0.859	1.256	0.289
INTR	-0.234	-0.700	-0.016	-0.365
CVID	0.124	0.037	0.002	0.062
AR(2)	0.266	0.179	0.299	0.244

Variable	SRT1	SRT2	SRT3	SRT4
Sargan	0.113	0.092	0.169	0.075
Hansen	0.610	0.168	0.353	0.538
Difference-in-Hansen	0.950	0.275	0.304	0.758

Notes: ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

Source: Authors' calculations.

The moderating effect estimations indicate that state ownership weakens the positive relationship between global uncertainty and stock returns. In the models using uncertainty from advanced economies, the interaction term between advanced-economy uncertainty and state ownership is negative and statistically significant across all specifications. A similar pattern emerges in the models using uncertainty from emerging market economies, where the interaction term also enters with a negative and significant coefficient. These findings imply that private firms in Viet Nam benefit more strongly from global uncertainty shocks than state-owned firms.

This result is consistent with previous studies suggesting that state ownership can shape investor perceptions through implicit government guarantees, access to policy-related resources, and political connections. At the same time, the weaker response of state-owned firms may reflect their lower flexibility, greater administrative dependence, and slower adjustment to market signals. Therefore, state ownership should not be interpreted simply as a source of superior performance. Rather, it appears to moderate the sensitivity of stock returns to external uncertainty by combining stabilizing advantages with governance-related constraints.

More broadly, the results support the view that private firms may serve as an important channel for absorbing reallocated capital flows when investors seek relatively attractive destinations amid global instability. While state ownership may provide stability, it may also reduce firms' sensitivity and responsiveness to signals from international markets. This interpretation reinforces the need to consider ownership heterogeneity when analyzing uncertainty spillovers at the firm level.

5. CONCLUSION AND POLICY IMPLICATIONS

5.1. Conclusion

This study is the first to examine how economic and political uncertainty in advanced, emerging, and low-income economies affects stock returns in Viet Nam at the firm level. The results show that global uncertainty is positively associated with Vietnamese firms' stock returns, suggesting that Viet Nam may be perceived as a relatively safe destination during periods of global turbulence. This positive effect is weaker for state-owned enterprises, particularly in the case of uncertainty from advanced and emerging economies, highlighting the moderating role of state ownership.

5.2. Policy implications

Overall, by providing novel evidence from an emerging market context, the study offers policy, managerial, and investment implications for policymakers, firms, and investors. These implications should be understood in light of the Viet Nam -specific setting, the use of alternative stock return measures, and the possibility that some uncertainty indicators, particularly LINC, may partly reflect broader global instability.

For policymakers, Viet Nam should take proactive steps to preserve a stable political and macroeconomic environment so as to attract international capital flows shifting away from

highly uncertain markets. Furthermore, accelerating the equitization of state-owned enterprises, particularly listed SOEs, may enhance managerial flexibility and improve firms' ability to respond to global shocks. Another important policy priority is to strengthen disclosure quality and financial transparency, thereby increasing the credibility and appeal of the Vietnamese stock market to foreign investors.

For firms, companies should reinforce their ability to deal with global uncertainty by improving risk management practices, diversifying export and import markets, and adopting more adaptable financial strategies. State-owned firms, in particular, need to improve operational efficiency, reduce reliance on government support, and move toward more market-oriented governance standards in order to strengthen competitiveness and attract investment, thereby narrowing the performance gap with private firms.

For investors, periods of heightened global uncertainty, particularly when major economies such as the United States, China, or the European Union are exposed to political and economic risks, may generate investment opportunities in the Vietnamese stock market because of its relative stability and long-term growth prospects. However, investment decisions should not rely solely on the safe-haven interpretation, since the results are country-specific and sensitive to alternative stock return measures in some specifications. The findings indicate that listed private firms appear to adjust more strongly to external shocks than state-owned firms, as they may face fewer administrative rigidities and operate under more flexible governance structures. Accordingly, investors may consider ownership structure as one of several screening criteria when evaluating investment opportunities in a volatile environment.

5.3. Limitations and future research

This study has several limitations that provide opportunities for future research. First, the analysis focuses on Viet Nam and therefore does not provide comparative evidence across emerging markets. Future studies could compare Viet Nam with markets such as Thailand, the Philippines, India, and Brazil to determine whether the positive association between global uncertainty and stock returns is specific to Viet Nam or reflects a broader emerging-market pattern. Second, although the WUI indicators are useful for capturing uncertainty by country-income groups, the low-income country uncertainty index may partly overlap with broader global instability. Future research could apply alternative identification strategies to distinguish low-income-country uncertainty from general global uncertainty. Third, the sensitivity of some results across alternative stock return measures suggests that future studies should further examine how different return constructions influence the estimated effects of global uncertainty.

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