

Comments on “Modeling and Predicting the Market Volatility Index: The Case of VKOSPI”

The paper empirically examined the relation between implied volatility index and macroeconomic and financial variables in South Korea by using heterogeneous autoregressive model. Empirical findings show that volatility implied index (VKOSPI) is significantly affected from some macroeconomic variables and heterogeneous autoregressive model is found to be sufficient to explain dynamics of the VKOSPI. Moreover, out of sample forecasting results indicate that the US stock market returns series and the VIX are important variables to predict the VKOSPI.

It is well known that volatility implied index that based on option prices is an indicator for fear and expectation of market participants because the volatility implied index shows sentiments of investors in the stock market. Although there have been extensive studies that focus on the relation between volatility implied index and stock market returns for the developed economies, the paper focused on an emerging country.

The sentiments of investor play a key role in an economy and hence it is very important to determine the factors that affect the sentiments or expectations of investors in several aspects. Therefore I think that the paper may contribute to existence literature.