

The Effect of Financial Market Uncertainty on Household Investment Decisions*

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Abstract

We examine how belief-based expected returns and perceived uncertainty shape household investment behavior, with a particular focus on crypto assets. Using original cross-country survey data from Japan, the United States, Germany, and China, combined with a randomized information intervention, we analyze both the extensive margin of participation and the intensive margin of portfolio allocation. We elicit prior and posterior beliefs about returns and uncertainty for stock indices and Bitcoin and identify causal effects using a two-moment instrumental variables approach. We find that perceived uncertainty plays a central causal role in portfolio choice. Higher uncertainty significantly reduces the portfolio share allocated to both stocks and crypto assets. The results highlight uncertainty as a key channel through which information affects household investment decisions.

JEL Classification: D12; D14; D84; E21; G11; G41

Keywords: cross-country analysis; crypto-asset holding; digital assets;
household finance; investment behavior

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