

Permanent and Transitory Components of Volatility following the 2008-Financial Crisis: Investigation on Dow Jones Sukuk Index

Syazwani Abd Rahim ^a, Nursilah Ahmad ^b

^aUniversiti Teknologi MARA Cawangan Johor (UiTM CJ), Segamat, Johor, Malaysia

^bUniversiti Sains Islam Malaysia (USIM), Nilai, Negeri Sembilan, Malaysia

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ABSTRACT

The global financial crisis of 2008 was sukuk's first actual test. The crisis had a negative impact on the nascent sukuk market, and several issuances reached new lows during the crisis. The sukuk investment universe, on the other hand, has made a strong comeback since 2009 and is now fully recovered. The sukuk market's performance has proven to be resilient due to this. The Dow Jones Sukuk Index (DJSI) has fully recovered from the crisis after a period of underperformance. The performance of the sukuk index is judged on both return and risk. Lower volatility and a higher Sharpe ratio further enhance its superior performance. The Sukuk investors during the COVID-19 pandemic have also referred to this situation of the 2008 global financial crisis to seek chances and confidence to issue and invest in Islamic bonds (Rahim and Othman, 2021). According to Ghassan, Balli and Aljeefri (2021), a crisis has little impact on the volatility of sukuk spreads. The result is due to market participants' belief in sukuk as an important asset class in their investment portfolios. This research aims to address this problem.

Keywords: Financial crisis, Sukuk, CGARCH, components, DJSI