Islamic Stock Markets
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GCC Markets

Shariah compliant indices exclude industries whose lines of business incorporate forbidden goods or where debts/assets ratios exceed 33%. The increasing popularity of Islamic finance has led to the establishment of Shariah compliant stock indices in many stock markets across the world, even where local Muslim populations are relatively small, such as in China and Japan.

From a period of extreme downfalls, there have been signs of recovery over the past month. UAE, Saudi Arabia and Bahrain markets have gone up by 11.5%, 8.5% and 7.2% respectively. The Qatar market closely followed the league by showing positive returns of 5.5%. Kuwait was the worst performer last month, falling by 3.2%, followed by Oman which went down by 0.4%.

The risk indicators for the region show that, Kuwait was the most risky market with a VaR at -4.4%, and volatility of 2.1%. Qatar and Saudi Arabia had VaRs at -3.2% and -3.4% and volatilities of 2% and 3%. Oman, UAE and Bahrain were almost at par, with VaRs at -2.5%, -2.3% and -2.1% and volatilities of 1.4%, 2% and 1.8%.


Volatility is a measure of trading activity. Higher volatility is observed during periods of financial crisis. Higher volatility is also associated with speculative trading. Value at Risk (VaR) estimates the worst possible return that can happen tomorrow with a given confidence (here 95%). Source: Datastream
Far East Markets

The Far East region was also in the same lines as of the GCC. Most of the markets in this region showed positive returns. The Philippines market performed the best, going up 9.1%. This was closely followed by the Thai market which went up by 6.5%. Malaysian and Indonesian markets, both went up by 3.6%. Comparative smaller positive returns were shown in the Singapore and Taiwan markets, rising by 1.9% and 1.6% respectively.

The VaRs and volatilities of the markets in this region were reported to be almost at par. Philippines and Singapore had VaRs at -2.4% and -2.2% and volatilities at 2.2% and 1.1%. Taiwan, Indonesia and Thailand had VaRs at -1.9%, -1.6%, and -1.5% and volatilities of 1.1%, 1.2% and 1%. Malaysian stock market remained the least risky with VaR at -1.1% and volatility of 0.6%.

Figure 2: Far East Stock Markets, March 2011. Malaysia: FTSE Bursa Malaysia Emas, FTSE Bursa Malaysia Hijrah; Indonesia: Jakarta SE Islamic; Philippines: SPGI BMI Philippines Shariah; Singapore: SPGI BMI Singapore Shariah; Taiwan: SPGI BMI Taiwan Shariah; Thailand: SPGI BMI Thailand Shariah. Source: Datastream
MENA Region Markets

Middle East and North Africa (MENA) region markets are less developed than GCC and some Far East markets. Nevertheless, good investment opportunities do exist, particularly for investors willing to take extra risk.

Further to the drastic fall in stock markets and the closure of the stock market in Egypt, March was a period of recovery for most of the stock markets in this region, especially Tunisia, where the market rose by 18.6%. Egypt also moved up by 8.1%. On the other hand, the markets in Jordan, Morocco and Lebanon kept falling by falling 3.8%, 2.9% and 1.6% respectively.

Over the last one month, Jordan remained the riskiest market with VaR at -2.5% and volatility of 1.7%. Egypt was the most volatile market with volatility of 3.5% and VaR at -1%. Tunisia, Morocco and Lebanon reported VaRs at -1.9%, -1.7%, -1.5% and volatilities of 1.7%, 1.4% and 0.7%, respectively.

Rest of the World

Markets, elsewhere in the world showed more gains rather than downturns. North Korea and India rose by 9.4%. The market in China went up by 6.6%. On the flip side, the Japanese market dipped by 4.5%, followed by the markets in Hong Kong and South Africa, declining by 1% and 0.8% respectively.

On the risk side, Japan remained the riskiest and the most volatile market in March with a VaR at -6.1% and volatility of 2.8%. South Korea and South Africa had VaRs at -202% and -2.1% and volatilities of 1.5% and 1.4%, closely followed by China, India and Hong Kong, with VaRs at -1.9%, -1.4% and -1.6%, and with volatilities of 1.3%, 1.2% and 1% respectively.
The Dow Jones Citigroup Sukuk Index (DJCSI) index, which was launched in 2006, measures the performance of global bonds that comply with Islamic investment guidelines. The index is made up of investment-grade, US dollar-denominated Islamic bonds (Sukuk). Created as a benchmark for investors seeking exposure to Shariah-compliant fixed-income investments, the index shares design criteria and calculation assumptions with broader Citigroup fixed-income indexes, and screens for Shariah compliance consistent with the Dow Jones Islamic Market (DJIM) Indexes. Bond issues within the index must comply with Shariah Law and the Bahrain-based Auditing & Accounting Organization of Islamic Financial Institutions (AAOIFI) standards for tradable Sukuk. Bond issues must also have a minimum maturity of one year, a minimum issue size of $200 million, and an explicit or implicit rating of at least BBB-/Baa3 by leading agencies.

The Dow Jones Citigroup Sukuk Index closed at 127.57 showing a surge in its performance as compared to the previous month’s close of 126.412. The yield on Dubai’s Islamic bond fell the most in more than a year last month, leading a rally in Arabian Gulf sukuk, as government-related companies complete debt restructurings and posted better-than-expected earnings. Moreover, swelling oil crude prices helped revive the market which was one of the factors leading to a rise in the DJ Sukuk index levels in the month of March.

Sources: Zawya.com, Djindexes.com
Oil prices have soared over the last six months and have gone up to 116.48 USD per barrel as per the closing prices in March. Several factors ranging from investors fretting about Libya, the unrest in North Africa to the delays in Nigerian election and also not to mention delivery problems in the North Sea and a strike in Gabon, have all led to this high.

Natural gas prices, after a dip in the prices during February, have risen again by 13% by the end of March. This may be due to the fact that dealers are braced for Japan to step up its purchases to replace the large amounts of nuclear power capacity knocked out by the recent disaster.

In parallel with crude oil prices, Gold prices had also gone up and reached a six month high. Sources say that it is inflationary fears that have been fuelling strength in precious metals. Gold has also gained from investors seeking havens from the recent market turbulence caused by the unrest in the Middle East and North Africa.

The price of copper has gone down from the end of the previous month by 3.6%. This can be due to China’s moves to combat its high level of inflation. China, being the world’s largest consumer of copper has been largely absent from the copper market for months now.

Palm oil prices have continued to drop. This may be due to a boost in the inventory in Malaysia, the world’s second biggest producer. Though, forecasts show that it palm oil prices would continue to be volatile in the coming months and would be high by the end of this year.

Raw cane sugar prices closed at a six month low. This may be due to the increased production of sugar in India and the fact that India has turned to be an exporter from a previous importer.
Recent Developments in the Islamic Finance Industry

Islamic Microfinance – American Style

Karen Hunt-Ahmed, a professor at DePaul University in Chicago is developing a microfinance pilot project in alliance with Cynthia Shawamreh, a lawyer for the city of Chicago. The project will be based on profit-sharing concept of mudaraba that provides money to entrepreneurs running small businesses like child-care centres who need between $5,000 and $20,000 in financing. While much larger than the typical microfinance loan globally, it is more expensive to run a business in the United States than in other countries where microfinance is more common. Despite the difference in dollar amount for the microfinance financing across the globe, the concept is identical: provide enough money to start a small business for clients who are otherwise overlooked by the formal banking system. Unlike the Grameen Bank and other group-based microfinance lenders, the mudaraba financing is provided on an individual basis, because previous experiences in urban America found individual financing to be more effective. The microfinance institution is still in the set-up phase—it has 501(c)(3) status as a US non-profit to make fundraising easier—and Ms. Hunt-Ahmed and Ms. Shawamereh are raising donations from individuals and applying for grants from community groups for seed funding. They hope to raise a total of $10 million fund, but expect to be operational with the first $100,000 and plan, which will finance between 6 and 8 businesses.

One of the unique and special aspects of the pilot program is that it will be staffed by business and law students from local universities, giving students hands on experience in Islamic finance. At the same time, it will reduce administrative costs to the benefit of clients who will keep a bigger share of their own profits. The Chicago area has more Islamic finance than many areas of the United States with Devon Bank offering Islamic business and mortgage finance to the local community.

Source: IFIS

University Islamic Finance Corp expands product range

University Islamic Finance Corp is the Shariah compliant arm of conventional lender, University Bank of Ann Arbor, Michigan and is hoping to reach out to the domestic market’s highly educated, relatively wealthy Muslims consumers. Despite the anti-Muslim legislation trying to force its way through some state legislatures, financial regulators are much more supportive of Islamic finance products than the headlines would suggest. In a country often criticized as being overly ‘financialized’, it is puzzling that only two Islamic products—mortgages and mutual funds—are widely offered in the country. In both commercial real estate and home Takaful, only one company currently offers products in these markets, Zayan, which is owned by a subsidiary of Saudi-based Capitas International Group.
Speaking to The Islamic Globe, University Islamic’s CEO Stephen Lange Ranzini said that: “with conservative loan-to-value of 60%, we believe that investment in commercial real estate in the US is a good investment for University Islamic Financial and our Mudarabah clients”. They are not disclosing the volume of financing they have provided except to say they are: “on budget volume-wise”.

Source: IFIS

**Mauritius launches its first Islamic bank**

Mauritius’ first fully-fledged Islamic bank, Century Bank, launched operations last month to tap into the roughly $1 trillion Islamic finance industry. The central bank also plans to offer shariah-compliant short-term liquidity tools.

In the first two to three years Century Bank would focus on wholesale banking and treasury and wealth management. Wholesale banking would comprise debt and equity capital markets and fund management. The capital has been provided by Qatari investors and British American Investment Group is providing the capital.

Source: IFIS

**Morocco plans to authorise first Islamic bonds**

Morocco’s central bank is in talks with the country’s banking industry group GPBM on regulations that would allow Sukuk, the central bank head said last month. The central bank started only in late 2007 to allow some banks to provide Islamic finance products, but does not issue licences for fully fledged Islamic institutions. Since then, Islamic finance products raised about 900 million dirhams ($112.4 million).

Source: Reuters

**GCC**

**Kuwait Finance House –Bahrain (KFH-Bahrain) opens new data centre**

KFH-Bahrain, a leading provider of Islamic commercial and investment banking services, has opened a new state-of-the-art data centre in the kingdom of Bahrain. The purpose-built and scalable dedicated facility makes KFH-Bahrain the first bank to have an in-kingdom virtualization technology which is capable of providing a fault tolerant, dependable and interruption free operation. The data centre infrastructure is based on an integrated rack, power and cooling solution complete with advanced management and monitoring hardware and software.

Source: Trade Arabia

**Allianz Takaful and HSBC sign deal**

Bahrain-based Allianz Takaful and HSBC Amanah have reached a bancataful deal to boost the distribution of family takaful products in Qatar. HSBC Amanah said the products include plans for protection, savings, investment and children’s education, and will be available to both conventional and Islamic banking customers.

Source: The Islamic Globe Newspaper
Dubai Department of Economic Development (DED) and Islamic Finance Company sign agreement to ease electronic payment procedures

DED and Islamic Finance Company (Aafaq) signed a co-operation agreement to facilitate electronic payment of new trade licenses fees, as well as renewed and amended licenses through Islamic Finance Company’s branches in Dubai. This initiative is part of the efforts of DED and Aafaq to enhance productivity, and save time and efforts for investors. As per the agreement, Islamic Finance Company (Aafaq) will provide DED with electronic systems services to facilitate the review of banking settlements, and also present a weekly detailed report covering all transactions and procedures during the preceding week.

Source: UAE News Agency

Umrah financing from Sharjah Islamic Bank (SIB)

SIB Sharjah Islamic Bank (SIB) has launched a new zero profit Umrah financing service, following on from first phase zero profit Ijarah finance product service introduced during the Hajj season last year. The product has been hailed as the first of its kind in the UAE and the GCC states. The new service enables pilgrims to perform Umrah rituals through the payment of instalments for one year without profit or additional costs.

Source: The Islamic Globe

Tamweel unveils home loan offer in UAE

Tamweel, the Dubai Islamic home loans company, has resurrected a mortgage scheme for Emiratis at 4.99 percent a year. Shariah-compliant loans will be available for up to 85 percent of the current market value of completed properties in Dubai and Abu Dhabi. The maximum loan value is $1.36 million (AED 5million) with repayment tenure of up to 25 years. Tamweel, which is majority-owned by Dubai Islamic Bank, launched a promotional mortgage offering a 4.99 annual rate in January, in a bid to capitalise on what it called signs of confidence in the UAE’s property market.

Source: Arabian Business

Emirates Islamic Bank launches EIB Investment Murabahah

UAE-based Emirates Islamic Bank has launched a new personal finance product. The new product will be called the ‘EIB Investment Murabaha’ which will allow UAE nationals to borrow up to AED2.2m ($600,000) and UAE-resident expatriates up to AED200,000 ($55,000) dependent on monthly salary. The money can then be used to buy and sell Shariah compliant stocks on the Abu Dhabi Securities Exchange and the Dubai Financial Market, the UAE’s two stock markets. The product is based upon Wakala and Murabahah principles. The profit rate charged by EIB is dependent on how much is borrowed.

Source: The Islamic Globe Newspaper

Barwa bank offers vehicle finance

Barwa Bank has announced the launch of its new finance offering 2022, aimed at existing and new customers looking for Shariah compliant financing.
Customers can now apply for vehicle and personal financing, and enjoy the best financing rate in Qatar at 2% for the first year of finance.

*Source: Gulf Times*

**Qatar International Islamic Bank (QIIB) to buy out Islamic Bank of Britain for $40.19 million**

QIIB has agreed to buy full control of the Islamic Bank of Britain, in a deal which values the British bank at around $40.19m. QIIB is offering one pence a share for the bank, which already counts members of Qatar’s ruling Al Thani family among its major shareholders. Last year, QIIB had already moved to raise its stake in IBB to 81 percent.

*Source: IslamicFinance.de*

**Qatar First Investment Bank unit signs Dh250m Islamic facility**

Qatar First Investment Bank gave the announcement that its portfolio company Emirates National Factory for Plastic Industries (ENPI) has signed a new five-year, Dh250m syndicated Islamic facility, arranged by Abu Dhabi Islamic Bank. The signing ceremony took place at Abu Dhabi Islamic Bank headquarters in Abu Dhabi.

*Source: Zawya*

**Malaysia’s Axis REIT Management to list world’s largest Shariah REIT**

Malaysia’s Axis REIT Management is set to list the world’s largest Shariah real estate investment trust (REIT) valued at over RM3 billion (S$1.26 billion) to meet demand for new Islamic finance products. Axis Reit Management, which also manages Axis REIT, is conducting preliminary book-building for the Axis Global Industrial REIT. The REIT, which is expected to be listed in the second quarter of this year, would manage 33 properties located in three Asian countries including Australia and Hong Kong.

The upcoming Reit’s investment mandate would be similar to Axis Reit’s existing mandate, which is to invest in logistics-related properties such as warehouses and showrooms.

The investment banking arm of CIMB Group is the principal adviser for the initial public offering and Standard Chartered is also involved.

*Source: ISI Emerging Markets*

**Malaysia Biotech in $80 million Islamic facility**

Malaysia’s Bio-XCell is finalizing the details of a commodity Murabahah facility with a leading local bank. The financing is estimated to be around RM250m ($82.2m). Details have not yet become available but signing of the agreements should take place in a few weeks.

*Source: IslamicFinance.de*

**Gulf Investment Corp GSC Kuwait (GIC) issues maiden RM600 ($197 million) Sukuk**

Gulf Investment Corp GSC Kuwait (GIC) issued its maiden local currency sukuk, making it the first Gulf Cooperation Council (GCC) issuer in the Malaysian sukuk market. The RM600 million sukuk is an inaugural issue from GIC’s RM3.5bil ($1.15 billion) sukuk medium-term note pro-
gramme. The Royal Bank of Scotland Bhd (RBS) is the sole principal adviser and sole lead arranger. RBS also acted as joint lead managers and joint bookrunners alongside Maybank Investment Bank Bhd.

Source: IFIS

Bank Muamalat unveils plans to return to Islamic capital market

Indonesia’s second-largest Shari’ah-compliant financial institution, Bank Muamalat, has announced planned to issue IDR 1 trillion ($114.6 million) of Sukuk in 2012.

In addition to the planned bond sale, Bank Muamalat is also considering raising up to IDR 1 trillion ($114.6 million) in capital either through a rights issue or the sale of subordinated debt. The bank, which is part-owned by the Islamic Development Bank, apparently postponed a $111 million rights issue by one month to June after expressions of interest from foreign investors. The issue had originally been slated for May. Investor interest in the Indonesian bank is reported to be coming from an investment bank based in Bahrain.

Source: www.cpifinancial.net
The Gulf One Lancaster Centre for Economic Research (GOLCER) was established in May 2008 by Lancaster University Management School and Gulf One Investment Bank. The centre is funded by a donation from Gulf One Bank. The main purpose of the Centre is to conduct empirical research focused on key economic and financial developments in the Middle East and North Africa (MENA) region, with special emphasis on the Gulf region. This region includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates, countries that form the Gulf Cooperation Council.

GOLCER's research agenda will include, as primary topics, energy economics, Islamic banking and finance, telecommunication and infrastructure economics. Recent developments in these fields will be assessed in the light of their impact on the economy of the Gulf region.

In addition to its research activities, GOLCER will provide tailored training courses in specialised areas, including quantitative methods and applications of state-of-the-art econometric and statistical software packages to economic and financial phenomena. GOLCER will also provide consultancy services.

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