

## Web of Science



Search Search Results

Tools ▼ Searches and alerts ▼ Search History Marked List

Free Published Article From Repository

Full Text from Publisher



Save to EndNote online ▼

Add to Marked List

◀ 1 of 1 ▶

## Does Islamic equity investment provide diversification benefits to conventional investors? Evidence from the multivariate GARCH analysis

By: Saiti, B (Saiti, Buerhan)<sup>[1]</sup>; Noordin, NH (Noordin, Nazrul Hazizi)<sup>[1]</sup>[View ResearcherID and ORCID](#)

INTERNATIONAL JOURNAL OF EMERGING MARKETS

Volume: 13 Issue: 1 Pages: 267-289

DOI: 10.1108/IJoEM-03-2017-0081

Published: 2018

Document Type: Article

### Abstract

Purpose - The purpose of this paper is to quantify the extent to which the Malaysia-based equity investors can benefit from diversifying their portfolio into the conventional and Islamic Southeast Asian region and the world's top ten largest equity indices (China, Japan, Hong Kong, India, the UK, the USA, Canada, France, Germany and Switzerland).

Design/methodology/approach - The multivariate GARCH-dynamic conditional correlation is deployed to estimate the time-varying linkages of the selected conventional and Islamic Asian and international stock index returns with the Malaysian stock index returns, covering approximately eight years daily starting from 29 June 2007 to 30 June 2016.

Findings - In general, in terms of volatility, the results indicate that both Asian and international Islamic stock indices are more or less volatile than its conventional counterparts. From the correlation analysis, we can see that both the conventional and Islamic MSCI indices of Japan provide more diversification benefits compared to Southeast Asian region, China, Hong Kong and India. Meanwhile, in terms of international portfolio diversification, the results tend to suggest that both the conventional and Islamic MSCI indices of the USA provide more diversification benefits compared to the UK, Canada, France, Germany and Switzerland.

Originality/value - The findings of this paper may have several significant implications for the Malaysia-based equity investors and fund managers who seek for the understanding of return correlations between the Malaysian stock index and the world's largest stock market indices in order to gain higher risk-adjusted returns through portfolio diversification. With regard to policy implications, the findings on market shocks and the extent of the interdependence of the Malaysian market with cross-border markets may provide some useful insights in formulating effective macroeconomic stabilization policies in the efforts of preventing contagion effect from deteriorating the domestic economy.

### Keywords

Author Keywords: Islamic finance; Equity markets; Islamic stock indices; MGARCH; Portfolio diversification benefit

KeyWords Plus: INTERNATIONAL PORTFOLIO DIVERSIFICATION; DYNAMIC CONDITIONAL CORRELATION; WAVELET CORRELATION-ANALYSIS; EXCHANGE MARKET-EFFICIENCY; ASSET PRICING MODEL; STOCK MARKETS; UNITED-STATES; RISK; COINTEGRATION; DCC

### Author Information

Reprint Address: Saiti, B (reprint author)

+ Int Islamic Univ Malaysia, Inst Islamic Banking &amp; Finance, Kuala Lumpur, Malaysia.

Addresses:

+ [ 1 ] Int Islamic Univ Malaysia, Inst Islamic Banking &amp; Finance, Kuala Lumpur, Malaysia

E-mail Addresses: [borhanseti@gmail.com](mailto:borhanseti@gmail.com)

### Funding

Funding Agency	Grant Number
Ministry of Higher Education of Malaysia through Research Initiative Grant Scheme (RIGS)	RIGS15-008-0008

[View funding text](#)

### Citation Network

In Web of Science Core Collection

0

Times Cited

Create Citation Alert

80

Cited References

[View Related Records](#)

### Use in Web of Science

Web of Science Usage Count

0

Last 180 Days

2

Since 2013

[Learn more](#)

This record is from:

Web of Science Core Collection

- Social Sciences Citation Index

[Suggest a correction](#)

If you would like to improve the quality of the data in this record, please [suggest a correction](#).

Publisher

EMERALD GROUP PUBLISHING LTD, HOWARD HOUSE, WAGON LANE, BINGLEY BD16 1WA, W YORKSHIRE, ENGLAND

Categories / Classification

Research Areas: Business & Economics

Web of Science Categories: Business; Economics; Management

See more data fields

Cited References: 80

Showing 30 of 80

[View All in Cited References page](#)

(from Web of Science Core Collection)

1.	<b>Islamic stock markets and potential diversification benefits</b> By: Abbas, Mouna Boujelbene; Trichilli, Yousra BORSA ISTANBUL REVIEW Volume: 15 Issue: 2 Pages: 93-105 Published: JUN 2015	Times Cited: 12
2.	<b>Dynamic linkages among ASEAN-5 emerging stock markets</b> By: Abd Majid, M. Shabri; Meera, Ahamed Kameel Mydin; Omar, Mohd. Azmi; et al. INTERNATIONAL JOURNAL OF EMERGING MARKETS Volume: 4 Issue: 2 Pages: 160-184 Published: 2009	Times Cited: 11
3.	<b>The impact of crude oil price on Islamic stock indices of South East Asian countries: evidence from MGARCH-DCC and wavelet approaches</b> By: Abdullah, A. M.; Saiti, B.; Masih, M. Borsa Istanbul Review Volume: 16 Issue: 4 Pages: 219-232 Published: 2015	Times Cited: 1
4.	<b>RELATIONS AMONG EQUITY MARKETS - STUDY OF SHARE PRICE CO-MOVEMENTS IN UNITED-STATES, UNITED-KINGDOM, GERMANY AND JAPAN</b> By: AGMON, T JOURNAL OF FINANCE Volume: 27 Issue: 4 Pages: 839-855 Published: 1972	Times Cited: 95
5.	<b>How strong are the causal relationships between Islamic stock markets and conventional financial systems? Evidence from linear and nonlinear tests</b> By: Ajmi, Ahdi Noomen; Hammoudeh, Shawkat; Duc Khuong Nguyen; et al. JOURNAL OF INTERNATIONAL FINANCIAL MARKETS INSTITUTIONS & MONEY Volume: 28 Pages: 213-227 Published: JAN 2014	Times Cited: 52
6.	<b>Intensity of volatility linkages in Islamic and conventional markets</b> By: Akhtar, S. M.; Jahromi, M.; John, K.; et al. AFA 2012 CHIC M SYDN Published: 2012 <a href="#">[Show additional data]</a>	Times Cited: 1
7.	<b>Genesis of differential performance between Shari'ah compliant equity indices and conventional indices</b> By: Ashraf, D. 20 ANN C MULT FIN SO Published: 2013 available at URL: <a href="http://papers.ssrn.com/sol3/papers.cfm?abstractid=2329574">http://papers.ssrn.com/sol3/papers.cfm?abstractid=2329574</a>	Times Cited: 2
8.	<b>BENEFITS OF INTERNATIONAL DIVERSIFICATION - THE CASE OF PACIFIC BASIN STOCK MARKETS</b> By: BAILEY, W; STULZ, RM JOURNAL OF PORTFOLIO MANAGEMENT Volume: 16 Issue: 4 Pages: 57-61 Published: SUM 1990	Times Cited: 39
9.	<b>COMMON STOCHASTIC TRENDS IN A SYSTEM OF EXCHANGE-RATES</b> By: BAILLIE, RT; BOLLERSLEV, T JOURNAL OF FINANCE Volume: 44 Issue: 1 Pages: 167-181 Published: MAR 1989	Times Cited: 213
10.	<b>KURTOSIS - A CRITICAL-REVIEW</b> By: BALANDA, KP; MACGILLIVRAY, HL	Times Cited: 190

AMERICAN STATISTICIAN Volume: 42 Issue: 2 Pages: 111-119 Published: MAY 1988

11. **The stability of long-run relationships A study on Asian emerging and developed stock markets (Japan and US)** Times Cited: **7**  
 By: Batareddy, Murali; Gopalaswamy, Arun Kumar; Huang, Chia-Hsing  
 INTERNATIONAL JOURNAL OF EMERGING MARKETS Volume: 7 Issue: 1 Pages: 31-48 Published: 2012
  
12. **THE INTERTEMPORAL RELATION BETWEEN THE UNITED-STATES AND JAPANESE STOCK MARKETS** Times Cited: **71**  
 By: BECKER, KG; FINNERTY, JE; GUPTA, M  
 JOURNAL OF FINANCE Volume: 45 Issue: 4 Pages: 1297-1306 Published: SEP 1990
  
13. **STRUCTURE AND PERFORMANCE - GLOBAL INTERDEPENDENCE OF STOCK MARKETS AROUND THE CRASH OF OCTOBER 1987** Times Cited: **62**  
 By: BERTERO, E; MAYER, C  
 EUROPEAN ECONOMIC REVIEW Volume: 34 Issue: 6 Pages: 1155-1180 Published: SEP 1990
  
14. **Multivariate Markov switching dynamic conditional correlation GARCH representations for contagion analysis** Times Cited: **19**  
 By: Billio, M.; Caporin, M.  
 Statistical Methods & Applications Volume: 14 Issue: 2 Pages: 145-161 Published: 2005
  
15. **MODERN PORTFOLIO THEORY AND INVESTMENT MANAGEMENT LAW - REFINEMENT OF LEGAL DOCTRINE** Times Cited: **16**  
 By: BINES, HE  
 COLUMBIA LAW REVIEW Volume: 76 Issue: 5 Pages: 721-798 Published: 1976
  
16. Title: [not available] Times Cited: **4**  
 Group Author(s): BNM  
 Bank Negara Malaysia annual report Published: 2015  
 availableat
  
17. **A CAPITAL-ASSET PRICING MODEL WITH TIME-VARYING COVARIANCES** Times Cited: **971**  
 By: BOLLERSLEV, T; ENGLE, RF; WOOLDRIDGE, JM  
 JOURNAL OF POLITICAL ECONOMY Volume: 96 Issue: 1 Pages: 116-131 Published: FEB 1988
  
18. **MODELING THE COHERENCE IN SHORT-RUN NOMINAL EXCHANGE-RATES - A MULTIVARIATE GENERALIZED ARCH MODEL** Times Cited: **1,169**  
 By: BOLLERSLEV, T  
 REVIEW OF ECONOMICS AND STATISTICS Volume: 72 Issue: 3 Pages: 498-505 Published: AUG 1990
  
19. **Enter the dragon: Interactions between Chinese, US and Asia-Pacific equity markets, 1995-2010** Times Cited: **22**  
 By: Burdekin, Richard C. K.; Siklos, Pierre L.  
 PACIFIC-BASIN FINANCE JOURNAL Volume: 20 Issue: 3 Pages: 521-541 Published: JUN 2012
  
20. **Dynamic correlation analysis of financial contagion: Evidence from Asian markets** Times Cited: **273**  
 By: Chiang, Thomas C.; Jeon, Bang Nam; Li, Huimin  
 JOURNAL OF INTERNATIONAL MONEY AND FINANCE Volume: 26 Issue: 7 Pages: 1206-1228 Published: NOV 2007
  
21. **Who Benefits More from International Diversification?** Times Cited: **21**  
 By: Chiou, W.J.P.  
 Journal of International Financial Markets, Institutions and Money Volume: 18 Pages: 466-482 Published: 2008
  
22. **East Asian financial contagion under DCC-GARCH** Times Cited: **5**  
 By: Cho, J.H.; Parhizgari, A.M.  
 International Journal of Banking and Finance Volume: 6 Issue: 1 Pages: 1-14 Published: 2008
  
23. **Correlation dynamics and international diversification benefits** Times Cited: **14**  
 By: Christoffersen, Peter; Errunza, Vihang; Jacobs, Kris; et al.  
 INTERNATIONAL JOURNAL OF FORECASTING Volume: 30 Issue: 3 Pages: 807-824 Published: JUL-SEP 2014
  
24. **Is the Potential for International Diversification Disappearing? A Dynamic Copula Approach** Times Cited: **111**  
 By: Christoffersen, Peter; Errunza, Vihang; Jacobs, Kris; et al.  
 REVIEW OF FINANCIAL STUDIES Volume: 25 Issue: 12 Pages: 3711-3751 Published: DEC 2012

25. **COINTEGRATION-BASED TESTS OF DAILY FOREIGN-EXCHANGE MARKET-EFFICIENCY** Times Cited: 23  
By: COLEMAN, M  
ECONOMICS LETTERS Volume: 32 Issue: 1 Pages: 53-59 Published: JAN 1990
26. **European stock market comovement dynamics during some major financial market turmoils in the period 1997 to 2010-a comparative DCC-GARCH and wavelet correlation analysis** Times Cited: 21  
By: Dajcman, Silvo; Festic, Mejra; Kavkler, Alenka  
APPLIED ECONOMICS LETTERS Volume: 19 Issue: 13 Pages: 1249-1256 Published: 2012
27. **Systemic risk and international portfolio choice** Times Cited: 124  
By: Das, SR; Uppal, R  
JOURNAL OF FINANCE Volume: 59 Issue: 6 Pages: 2809-2834 Published: DEC 2004
28. **Equanimity of Risk and Return Relationship between Shariah Index and General Index in India** Times Cited: 16  
By: Dharani, M; Natarajan, P.  
Journal of Economics and Behavioural Studies Volume: 2 Issue: 5 Pages: 213-222 Published: 2011
29. **International portfolio diversification benefits: Cross-country evidence from a local perspective** Times Cited: 91  
By: Driessen, Joost; Laeven, Luc  
JOURNAL OF BANKING & FINANCE Volume: 31 Issue: 6 Pages: 1693-1712 Published: JUN 2007
30. **COINTEGRATION AND MARKET-EFFICIENCY** Times Cited: 75  
By: DWYER, GP; WALLACE, MS  
JOURNAL OF INTERNATIONAL MONEY AND FINANCE Volume: 11 Issue: 4 Pages: 318-327 Published: AUG 1992

Showing 30 of 80 [View All in Cited References page](#)

Clarivate

Accelerating innovation

© 2019 Clarivate [Copyright notice](#) [Terms of use](#) [Privacy statement](#) [Cookie policy](#)

[Sign up for the Web of Science newsletter](#)

[Follow us](#)

