

Ramadan Effect in Global Islamic Equity Indices

AHMED SAMEER EL KHATIB

CENTRO UNIVERSITÁRIO ÁLVARES PENTEADO (FECAP)

NAHOR PLÁCIDO LISBOA

FACULDADE DE ECONOMIA, ADMINISTRAÇÃO E CONTABILIDADE DA UNIVERSIDADE DE SÃO PAULO - FEA

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Introdução

In Efficient Market Hypothesis Fama (1970) proposed that the stock markets are efficient, therefore all the information available inside and outside the market is fully reflected in the stock prices and it is impossible for any investor to outperform the market. If an investor becomes successful in generating abnormal returns by exploiting market information, that evinces the presence of market anomaly (STULZ; WILLIAMSON, 2003; SHAH et al., 2017).

Problema de Pesquisa e Objetivo

This study aims to explore the effect of Islamic Months specifically Ramadan and Zil-Haj on the stock returns and volatility of the Islamic Global Equity Indices. For the said purpose, the data on three Global Equity Islamic Indices including: Dow Jones Islamic Market World Index, MSCI ACWI Islamic Index, and S&P Global BMI Shariah Index are collected from 5th Jan 2011 (1st Muharram 1432 A.H.) to 12th November 2015 (30th Muharram 1437 A.H.). Ordinary Least Square (OLS) and GARCH (1,1) regression methods are applied to analyze the impact of the Islamic months on global stock returns and volatil

Fundamentação Teórica

1) Islamic Finance 2) Islamic Equity Investment Fundamentals 3) Calendar Effetc

Metodologia

This study undertakes quantitative analysis on a sample comprising of following three Islamic Global Equity Indices including; MSCI (Morgan Stanley Capital International) ACWI (All Country World Index) Islamic Index, Dow Jones Islamic Market World Index, and S&P (Standard & Poor"s) Global BMI (Broad Market Index) Shariah Index. The reason for including aforementioned Global Islamic Indices in the sample is that these indices represent both developed and emerging countries. Hence, these indices can best serve as the representative of the Islamic Global Equity Market.

Análise dos Resultados

According to the results of OLS and GARCH (1,1) methods for all indices, it is proved that Ramadan has no significant impact on the returns and volatility of indices. Therefore the null hypothesis "Islamic month of Ramadan has no impact on the returns and volatility of Islamic Global Equity Indices" cannot be rejected. The reason behind the rejection of Ramadan effect can be the difference in mood and behavior of investors belonging to different regions. Some of the previous studies reported optimistic mood of investors in Ramadan, which lead to more investment in the market.

Conclusão

This study attempted to test the impact of Islamic months of Ramadan and Zil-Haj on the returns and volatility of Islamic Global Equity Indices. Empirical findings reveal significant negative impact of Zil-Haj on returns and volatility of Islamic Global Equity Indices. However, no significant impact of Ramadan on returns and volatility of Islamic Global Equity Indices are revealed. The negative impact of Zil-Haj may be due to the economic shift of funds from capital market to new investment opportunities generated during the month of Zil-Haj.

Referências Bibliográficas

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