

The nexus between oil price and islamic stock markets in Africa: A wavelet and multivariate-garch approach

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Abstrak

The goal of this paper is to address the relationship between crude oil-price changes on some selected African Islamic indices, using daily data from May 4, 2011, to January 25, 2018. We employed three main techniques: MODWT, CWT, and multivariate-GARCH-DCC, to analyze whether these markets have any diversification opportunities. Our findings reveal that, first, the results of MODWT shows Egyptian Islamic index leading all indices. Second, CWT results show that investors would gain diversification benefits in almost all markets (except South Africa) and enjoy the benefit that comes with long-term investments. Third, we observed low correlations between the Egyptian and Tunisian Islamic indices, with oil-price returns suggesting diversification benefits in these markets. Of all the Islamic stock markets, Tunisia's has the lowest volatility with the crude oil index. Investors holding a portfolio of these stocks can afford to have exposure in crude oil-related assets and achieve maximum diversification benefits.