

Dow Jones Islamic Market Indexes in August: Who will oil the next global economic boom?

By Gérard Al-Fil

According to US Federal Reserve chairman Ben Bernanke, the world economy began to recover slightly this quarter. Rising oil prices indicate growing demand for the “black gold” and therefore rising economic activity. Investors have been reaping the benefits of injected liquidity, which started with the US\$787 billion economic stimulus package in the US in February this year, in the form of rising stock markets.

As a result of oil prices soaring above the level of US\$70, August was the month of Middle Eastern markets. The Dow Jones Islamic Markets (DJIM) Kuwait Index gained 6.95% in the last month (as of the close of trading on the 25th August), closing at 1,045.73 points.

The oil-rich northern Arabian Gulf state was only topped by the DJIM Turkey gauge, which ended 8.17% higher at 2,944.31 points. The DJIM GCC Index, which measures the performance of Islamicly pure or halal stocks in Saudi Arabia, Kuwait, Bahrain, Qatar, the UAE and Oman, emerged as number three by closing at 1,419.17 points.

Higher oil prices lead to higher revenues in the GCC states and trigger new investments in the oil, transport and industry sectors. According to the Organization of Arab Petroleum Exporting Countries (OAPEC), Arab states from Morocco to Iraq will invest US\$96.4 billion in new refinery projects until 2015.

The DJIM Oil & Gas Index surged 3.22% in August, outperformed only by the DJIM Consumer Services Index (3.33% higher) and the DJIM Industrials Index.

Prominent Shariah-compliant Western energy entities are British Petroleum (BP), Italy’s ENI and Total (France). They are halal since they do not produce alcohol, weapons, interest-bearing products or entertainment goods, and their total debt does not exceed a third of their market capitalization. These three oil giants are constituents of the DJIM Oil & Gas Index as well as of the DJIM Europe Titans 25 Index.

The latter gauge posted the fourth largest advance among the DJIM stock composites last month, climbing 3.79% up to 1,947.86 points. The conventional global bellwether Dow Jones Industrial Average added 4% (ending at 9,539.29 points).

East Asia hit the bottom of the charts amid profit taking. The DJIM Singapore Index lost 2.09% and finished at 966.78 points. The DJIM Taiwan Index (down 3.04%) and the DJIM China Offshore Index (3.70% lower) closed at 3,639.52 points and 2,290.55 points, respectively. China launched an economic stimulus package worth US\$586 billion in spring this year.

“After the financial crisis, the world economy has been falling even more rapidly than during the Great Depression in the 1930s, but concerted counter measures have been faster and more effective this time”, says Dr Nasser Saidi, chief economist at the Dubai International Financial Centre.

But the question remains: Who will be the driving force behind the next economic boom – if there is indeed to be one in the short-term? With unemployment figures still on the rise globally, consumers worldwide remain on the sidelines, tightly holding onto their wallets, as the DJIM Consumer Goods Index demonstrates, as it added just 0.31%, ending as the worst Shariah-compliant sector index.

“If the world takes effective steps against global warming, then environmental protection can be the driving force for a boom”, renowned economist and Nobel Prize winner Paul Krugman said recently. Obviously, Arab states should ride the wave of alternative energies if they do not want to miss the trend of tomorrow. The Abu Dhabi-based “zero-carbon” city Masdar being built for a population of 50,000 is a first step in the right direction. (F)

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Dow Jones Islamic Market Indexes in August: Who will oil the next global economic boom? (continued)

Islamic Markets Measure: August 2009

Monthly report on the performance of the Dow Jones Islamic Market Indexes

Based on the close of trading on the 25th August, the global Dow Jones Islamic Market (DJIM) Titans 100 Index, which measures the performance of 100 of the leading Shariah compliant stocks globally, gained 2.22% month-to-date, closing at 1939.19.

In comparison, the Dow Jones Global Titans 50 Index, which measures the 50 biggest companies worldwide, posted a gain of 3.88%, closing at 160.55.

The DJIM Asia/Pacific Titans 25 Index, which measures the performance of 25 of the leading Shariah compliant stocks in the Asia/Pacific region, increased 1.33%, closing at 1698.43. The Dow

Jones Asian Titans 50 Index, in comparison, posted a gain of 1.68%, closing at 126.34.

The DJIM Europe Titans 25 Index, which measures the performance of the 25 of the leading Shariah compliant stocks in Europe, closed at 1947.86, a gain of 3.79%, while the pan-European blue chip Dow Jones STOXX 50 Index gained 6.53%, closing at 2584.76.

Measuring the performance of 50 of the largest Shariah compliant US stocks, the DJIM US Titans 50 Index increased, closing at 1969.58. This represents a gain of 1.77%. The US blue chip Dow Jones Industrial Average increased 4.01%, closing at 9539.29. ⁽²⁾

Asia: Performance of Dow Jones Islamic Market versus Conventional Dow Jones Indexes

Dow Jones Islamic Market Indexes			Conventional Dow Jones Indexes		
Index Names	Index Close August 2009	MTD 2009	MTD 2009	Index Close August 2009	Index Names
DJIM Asia/Pacific Index	1174.12	1.07%	1.57%	116.03	DJ Asia/Pacific Index
DJIM China Offshore Index	2290.55	-3.70%	-3.26%	3796.48	DJ China Offshore 50 Index
DJIM Hong Kong Index	1228.60	-0.92%	-2.52%	379.27	DJ Hong Kong Index
DJIM India Index	1394.76	-0.21%	-0.51%	1493.48	DJ India Total Stock Market Index
DJIM Indonesia Index	1110.22	1.72%	2.47%	136.44	DJ Indonesia Index
DJIM Japan Index	982.59	2.49%	2.35%	84.13	DJ Japan Index
DJIM Malaysia Index	1235.20	0.60%	-0.20%	169.00	DJ Malaysia Index
Dow Jones-JS Pakistan Islamic Index	9277.12	3.25%	6.91%	542.61	DJ Pakistan Total Stock Market Index
DJIM Philippines Index	1422.70	0.86%	1.03%	149.74	DJ Philippines Index
DJIM Singapore Index	966.78	-2.09%	-1.19%	232.98	DJ Singapore Index
DJIM South Korea Index	673.41	3.14%	1.66%	208.64	DJ South Korea Index
DJIM Amana Sri Lanka Index	1101.97	-1.48%	0.28%	159.71	DJ Sri Lanka Index
DJIM Taiwan Index	3639.52	-3.04%	-4.21%	128.51	DJ Taiwan Index
DJIM Thailand Index	1291.88	3.00%	4.89%	84.46	DJ Thailand Index

Next Forum Question

The inherent conservatism of many Islamic banks has caused them to hoard cash, thereby restraining their growth and holding the industry back. Is this harming the recovery, and what can these banks do to improve the situation for themselves and the economy?

If you would like to air your views on the next Islamic Finance Forum Question, please email your response of between 50 and 300 words to Christina Morgan, Forum Editor, at: Christina.Morgan@REDmoneygroup.com before Wednesday, 2nd September 2009.