

THE EFFECT OF GLOBAL UNCERTAINTIES & FINANCIAL DISTRESS ON SUKUK & CONVENTIONAL BOND RETURN DYNAMICS: A COMPARATIVE STUDY

BY

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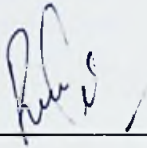
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Student's Signature: _____

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Dedication

My dissertation is dedicated to my family and many friends. I owe a special responsibility of appreciation to my devoted parents, whose support and encouragement and insistence on determination still echo in my ears.

This dissertation is also dedicated to my numerous instructors and supervisor, who have helped me throughout the process. I shall be eternally grateful for everything they have done to assist me in the development of my thesis.

I dedicate this work to my friends and classmates, and I appreciate them for being there for me during the program.

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Abstract

Purpose: The aim of this study is to examine the effect of financial stress and global uncertainty such as inflation, Crude oil gold price volatility, economic policy, and geopolitical risk on the return dynamics of conventional and Sukuk bonds. We investigate the possibilities of diversification through Sukuk by employing methodologies that provide extensive insights into the effects of doubtful variables on Sukuk and conventional returns in various market conditions.

Methodology & Design: The empirical results of a multiple regression method for the year January 2010 to December 2020 demonstrate a relation between sukuk returns and global uncertainty. We do, however, identify a causal link between conventional bond markets and financial and economic instability globally.

Findings: Our findings show that sukuk perform better than conventional bonds in the context of global uncertainty, and that the two assets are complimentary rather than substitutive.

Limitations: Sukuk investments can be used to diversify conventional bonds in certain circumstances. Sukuk and conventional bonds, for example, can spread risk in the event of a gold price shift, and such diversification may also be accomplished in the event of an inflation shock.

Recommendations: This study will provide investors a clear picture to policymakers and investors whether they should invest in Sukuk or conventional markets.

Keywords: Sukuk, Conventional bonds, Global Uncertainty, Inflation, Gold Price, Crude oil, Economic policy uncertainty, Geopolitical risk

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