Investigating Stock Market Reactions on Sukuk Issuance in Malaysia Based on Tenures

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Abstract:*The aim of the paper is to examine whether different tenure announcements on sukuk issuance carry any new information to market for the period 2004-2011 in Malaysia. Data are collected from the Securities Commission Malaysia (SC) and Bloomberg database. Sukuk are different at tenures that categorized intoranges 1-5 years, 5.01-10 years and 10.01-15 years.The study employs event study methodology using cumulative average abnormal return (CAAR) on symmetric and asymmetric events based on the reaction of the FTSE Kuala Lumpur Composite Index (FTSEKLCI) to the announcement of sukuk issuance. The results showed that the moderate tenure was not affected too much during the crisis. In conclusion, this study suggests the tenure of 5.01 – 10 years is the best tenure for sukuk issuances. The findings would be useful to issuers, investors and decision-makers in assessing the credit risk of sukuk issuance.*
Keywords: *Sukuk tenures, event study, asymmetric, CAAR, stock market*

I. Introduction

Malaysia was the largest market for sukuk raising USD5.5billion from 54 issues during 2008 [1]. However, during the 2008 financial crisis, the global amount of sukuk issuance decreased sharply by 54.5 percent to reach USD15.1 billion, as compared to USD33.1 billion in 2007. The decline in sukuk issuance was due to the credit crunch that forced investors to step aside from the money markets, hence exhausting resources for sukuk as well. The number of global sukuk issuance had weakened in the first half of 2008 and remained lower than the 2007 record. Despite the decline, the prospects for the sukuk market were still positive because of the existing demand.

Sukuk is defined as "certificates of equal value which evidence undivided ownership or investment in the assets using Shari'ah principles and concepts approved by the Shari'ah Advisory Council (SAC)"[2].Sukuk has developed into one of the most significant mechanisms to raise funds from the market using Islamic guidelines. Sukuk also appeals to conventional investors looking for sukuk that provide the possibility of increasing an original asset and thus the value of thesukuk themselves, while the original debt in bonds cannot be increased [3].Looking at both the increasing expectation of this industry and the growing investor base, the study will investigate the performance of the sukuk industry from 2004 to 2011 in Malaysia.

Thus, this paper examines whether different tenures of sukuk issuance announcements contain pricing relevant information for sukuk. This is motivated by three key factors affecting the sukuk market. First, the industry regained market confidence after the restructuring of the higher profile sukuk default in Dubai after the 2008 financial crisis. Second, investors are avoiding the riskiest markets of the United States and Europe. Third, positive economic growth and favorable debt dynamics in the two most important sukuk issuing regions of the Gulf and Malaysia has attracted investors to the Islamic capital market [4]. The paper contributes to the literature since the empirical work on sukuk issues by sectors is relatively few. The remainder of the paper is organized as follows. Section II discusses the related literature review. Section III discusses the theoretical framework. Section IV highlights the research methodology. Section V discusses the findings and the final section concludes the paper.

II. Literature Review

A. Sukuk Development In Malaysia

Sukuk started in Malaysia in 1990 and spread in the world rapidly [5]. The Malaysian sukuk market took off in 1990, when the world's first sukuk, RM125 million of al-Bai' Bithaman Ajil, was issued by a non-Islamic corporation, Shell MDS. In 2002, Malaysia achieved another significant milestone when the government issued the first global sovereign sukuk, raising USD600 million of 5-year Islamic bonds based on the ijarah concept. This issuance was listed on the Luxembourg Stock Exchange [6].Table 1 shows the world's first sukuk issues from 1990 to 2010.

Table 1: Global World's First Sukuk Issues

Year	Issuer	Highlight Feature	Amount (million)
1990	Shell MDS (Bai' Bithaman Ajil)	World's first Ringgit Sukuk issued by a foreign-owned, non-Islamic company	RM125 (USD33)
2001	Kumpulan Guthrie (Ijarah)	World's first global corporate Sukuk	USD150
2002	Government of Malaysia (Ijarah)	World's first global sovereign Sukuk	USD600
2003	International Finance Corporation	First Ringgit Sukuk issued by a supranational agency	RM500 (USD132)
2004	Cagamas MBS	World's first Islamic residential mortgage-backed securities	RM2, 050 (USD$540)
2005	PLUS	Complex and innovative structure, conversion of PLUS's existing debts into Islamic finance	RM9, 170 (USD2860)
2006	Khazanah Nasional (Rafflesia Capital)	World's first exchangeable Sukuk	USD750
2007	AEON Credit Services	First Sukuk issued by a Japanese - owned company	RM400 (USD125)
2007	Nucleus Avenue (Malakoff Corp)	World's first hybrid Sukuk RM8,000	(USD2500)
2007	Khazanah Nasional (Cherating Capital)	Largest equity-linked Sukuk issue and highest oversubscription rate	USD850
2007	Maybank	The first international subordinated Sukuk	USD300
2007	Binariang GSM	World's largest Sukuk issue (at the time of issuance)	RM15, 350 (USD4, 800)
2010	Government of Malaysia	World's largest global sovereign Sukuk	USD1, 250
2010	Nomura	First Japanese global Emas sukuk	USD100
2010	Khazanah Nasional	The largest and longest termed Singapore dollar denominated 'Emas' sukuk	SGD1.5 billion (RM3.6 billion)
2010	Islamic Development Bank	First Emas sukuk by a multilateral development institution.	USD500
2011	Khazanah Nasional	World's first China renminbi denominated 'Emas' sukuk, World's First Offshore RMB sukuk	RMB500 (RM246)
2012	PLUS	World's single largest sukuk issuance	RM30.6 billion
2012	Khazanah Nasional	Exchangeable sukuk that was first to be priced at negative yield and first Malaysian equity-linked deal since 2010	USD357.8

Sources: Securities Commission Malaysia 2012

The global sukuk market experienced a challenging year in 2009, with USD 19 billion (RM63 billion) new issuances, down from a record USD 33 billion (RM109 billion) issuances in 2007. This was because the market faced a liquidity crunch from the global financial crisis and the debate on the compliance of some of the sukuk structures with Islamic law. Despite the challenging market environment, Malaysia continued to be the top world issuer [7]. Table 2 below shows global sukuk new issuance.

Table 2: Global Sukuk New Issuance for Second Quarter in 2011

Country	Q2 2011 (Amount in USD Billion)	Percentage (%)
Malaysia	31.50	68.3
Bahrain	0.90	2.0
Indonesia	1.70	3.7
Qatar	9.10	19.7
Saudi Arabia	0.30	0.7
UAE	0.00	0.0
Others	2.60	5.6
Total	46.10	100.0

Source: Bloomberg

B. Stock Market Reactions to Sukuk Issuance

Many studies have been conducted to examine market participants' reactions to bond announcements and their impact on firm value. A considerable amount of literature so far has focused on the group of bonds carrying special features of having both equity and bond components. A noteworthy first finding who recorded the absence of any significant reaction of the stock markets to conventional bond announcements [8]. This was evidence that stock markets do not react to debt announcements, including bond issuances, even if some studies also found support for a negative reaction [9]. The reaction of stock markets to the issue of bonds was affected by opposing influences.

The event studies were frequently used to test market efficiency [9]. An event study was a statistical method used to gauge the impact of a corporate event, such as stock splits, earnings announcements and

acquisition announcements. Several studies for the United States market documented a significantly negative (on average –1.5 percent) market response to convertible bond issues, confirming the hybrid nature of these financial instruments. The announcement effect of different corporate securities has been the subject of numerous studies, such as [8] for equity, [10] for bonds, and [11] for convertible securities. Furthermore, these results supported the models proposed by [12].

Recent studies, for example, the market reaction was significantly positive during event windows [-3, 0] and [-3, 3] during the announcements of Islamic debt issuance for the period 2000 to 2006 in Malaysia [13]. The wealth effect of Islamic bond issuance announcements was positively influenced by the issuer's investment opportunity and negatively influenced by the size of the issue, the size of the firm and whether the announcement was accompanied by the Securities Commission (SC) approval.

There was a wealth effect of the announcement of Islamic bonds issued for the period 2001 to 2006 in Malaysia [14]. This early market reaction to Islamic bond announcements found that the early market reaction was positive. Regardless of the reaction kind (positive or negative), a possible reason for the early response could be the fact that information of Islamic bond offerings often leaks out to the market before the announcement. A study found significant negative abnormal returns near the announcement days in Malaysia over the period of 2001 to 2007 [15]. They found that the average abnormal return of the subordinated bonds was significantly positive compared to other types of bonds.

Besides, a research found a significant positive market reaction just prior to a firms' positive surprise earnings announcements [16]. When a firm announced positive surprise earnings, investors appeared to perceive a positive signal about the firm's future, which caused an increase in the firm's stock price. Positive surprise earnings announcements did indeed send a positive signal about the profitability and future success of a firm. By doing so, stock prices did increase and the market reacted quickly to available information.

According to [5], a significant negative abnormal return occurred one day before the announcement date in a sample of 45 listed companies on Bursa Malaysia involved in the issuing of Islamic debts during 2005 to 2008. The event window was -15 to +15 days around the announcement date (22 working days). The negative abnormal return of the day before the announcement was highly significant at the five percent level and insignificant on day +1. Significant negative abnormal return of the day before showed that the announcement of Islamic bonds in the market was a reflection of bad news during the years 2005 to 2008 in the Malaysian market.

III. Theoretical Framework

Event Studies Theory

Event studies are an important tool in finance, which concern with the valuation of firms and the changes in firm value resulting from, for example, changes in capital structure. In general, the value of a firm is difficult to measure. However, if there is an efficient market for the firm's stock, the impact of decisions of this type can be measured by the change in the stock price around the time when the decision becomes public knowledge. Although such events can be studied in many different ways, the empirical finance literature has taken a particular approach based on statistical tests of the significance of abnormal stock returns around event dates. Figure 1 shows the reaction of stock prices in the stock market to news around the events.

Fig. 1: Reaction of stock prices to news.
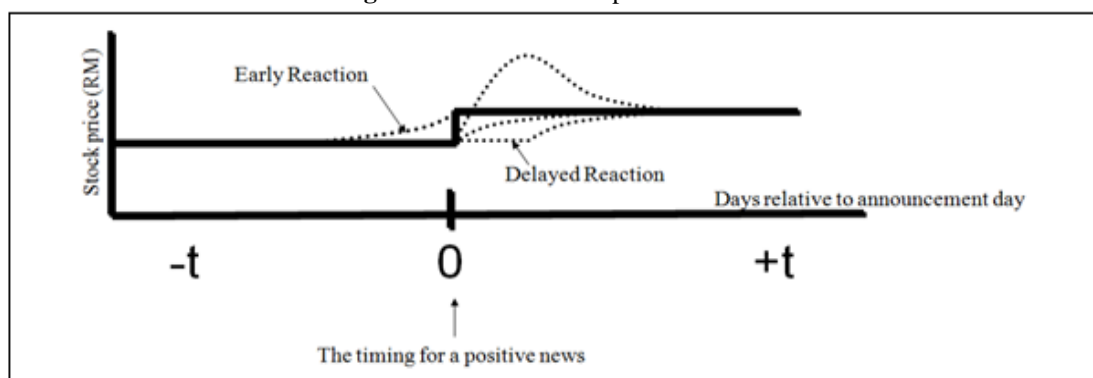
Source:Frederic S. Mishkin 2001[17]

In an event study, it is important to test for any evidence of (1) under reaction, (2) overreaction, (3) early reaction, or (4) delayed reaction around the event. If the market is "semi-strong-form efficient", the effects of an event will be reflected immediately in the security prices. Thus, a measure of the event's economic impact

can be constructed using the security prices that are observed over a relatively short time period (Frederic S. Mishkin, 2001).

The efficient markets hypothesis (EMH) can be distinguished depending on the level of available information: (1) weak form EMH, (2) semi-strong form EMH and (3) strong form EMH. The weak form EMH states that current asset prices already reflect past prices and volume information. The information contained in the past sequence of prices of a security is fully reflected in the current market price of that security. It is named weak form EMH because the security prices are the most publicly and easily accessible information. In comparison, the semi strong form EMH states that all publicly available information is already incorporated in the asset prices. Finally, the strong form EMH stipulates that private information or insider information is quickly incorporated in the market prices.

IV. Research Methodology

A. Sample and Data Collection

The sample period (2004−2011) contains 1,582 events of sukuk issuances in Malaysia. The sukuk issuances are collected and separated by tenures. The tenures are categorized intoranges 1-5 years, 5.01-10 years and 10.01-15 years.The estimation period for the study is from 2001 to 2003 based on FTSEKLCI as a proxy data on closing prices from FTSEKLCI are collected based on daily date from the DataStream databasefor the period 2004 to 2011. The Kuala Lumpur Stock Exchange Composite Index is a broad based capitalization weighted index of 100 stocks designed to measure the performance of the Kuala Lumpur Stock Exchange. Among the objectives of the KLCI are: (1)to provide a performance benchmark for the Malaysian equity market; (2) to reflect the performance of those listed companies are representative of the major sectors as in the Malaysian economy; and (3) to reflect the growth and development in Malaysian corporate and economic sector.

B. Method

For the purpose of the study, the market is hypothesized to react positively to the announcement of sukuk issues. This is due to firstly, cheaper financing costs since sukuk has higher liquidity due to a wider investor base encompassing of both Muslims and conventional investors. Second, there is higher demand for Shariah compliant stocks since 85 percent of total securities listed on Bursa Malaysia are Shariah compliant. Third, funds raised from the Islamic debt instruments are used to finance new activities (Ibrahim and Minai, 2009).

The performance of stock prices of firms on certain days is measured using (1):

$$AR_{it} = R_{it} - (\alpha_{it} + \beta_i R_{mt}) \tag{1}$$

Where; AR_{it} = Abnormal returns for firm i at time period t

R_{it} = Actual returns for firm i at time period t

R_{mt} = Returns on market portfolio in period t

α_i = The constant average returns of stock i

β_i = Beta estimate of stock

α and β are estimated using market model which relates the given sukuk to the return of the market portfolio. The returns of the FTSE Kuala Lumpur Composite Index are used as a proxy of market returns. They are calculated by running regression of sukuk returns against the market returns. After estimating the abnormal returns for each firm, the abnormal return for all of the firms on each day of the event window are then aggregated and averaged as (2); where N is equal to the number of firms in the sample:

$$AAR_t = \frac{1}{N} \sum_{t=1}^{N} AR_{it} \tag{2}$$

The t-test for AAR$_t$ is estimated as (3)

$$\text{t-test} = CAAR / \delta (CAAR) \tag{3}$$

where; AARt = Average abnormal return of period t

δ = Standard deviation of average abnormal return over the estimation window.

To observe the cumulative effects, the cumulative abnormal returns (CAAR$_{t,+t2}$) are computed as (4) below:

$$CAAR_{(-t1,+t2)} = \sum_{=t1}^{=t2} AAR \qquad (4)$$

CAAR$_t$ is a more precise representative of the long term effect on share prices from bond offering announcements. The standard deviation of CAAR is defined as (5); where N is the number of days in the CAAR statistics:

$$\delta(CAAR) = \delta(AAR)\sqrt{N} \qquad (5)$$

V. Findings And Discussion

Before the crisis, the market showed negative reactions in short term events, but positive reactions in long term events within 1 – 5 years after the sukuk announcement. These results show the high confidence among investors to invest in sukuk for this tenure. The maximum CAAR was on [-10,+20] and the minimum CAAR was on [-20,+40]. During the crisis, the market reacted negatively in all events with the maximum CAAR on the symmetric event [-3,+3] and the minimum CAAR on the asymmetric event [-5,+3]. These results show that early reactions after the announcement were negative as reactions were affected by negative information. The investors reacted to avoid risk. After the crisis, the market showed that all events reacted negatively and 13 events had negative and significant results. The maximum CAAR after the crisis was on the short symmetric event [-1,+1] and the minimum CAAR was on the long asymmetric event [-40,+20]. These results show the strong impact of the crisis on the market after the issuances. This short tenure of within five years shows that although the number of issuances decreased during the crisis, it increased after the crisis. This tenure shows the highest number of issuances after the crisis compared to the other tenures.

Table 3 shows that the second sukuk tenure ranged from 5.01 – 10 years. Before the crisis, the market showed that the maximum CAAR was in [-30,+30]. But, the worst event was on [-20,+40]. Sukuk investment showed that the number of issuances during this tenure was the highest compared to the other tenures. These results show the strong confidence among sukuk investors to invest in sukuk. During the crisis, the market reacted negatively and significantly in short term events, but had positive and significant reactions for long term events. The maximum CAAR during the crisis showed that there was an overreaction of 0.1596 with 1% significant results. The minimum CAAR during the crisis was in [-5,+3]. The weak form efficiency caused the market to react slowly during the crisis. After the crisis, there was no negative and significant result. The maximum CAAR was on [-20,+40] and the minimum CAAR was on [-40,+20]. But, after the crisis, the number of issuances during this tenure decreased. These results show that the investors tried to avoid risks after the crisis to reduce the probability of sukuk default.

The longest tenure was between 10.01 – 15 years. The market had positive and negative reactions before the crisis. The only event showing significant results was on the asymmetric event [-20,+10], at -0.0264 significance. The maximum CAAR before the crisis was on the asymmetric event [-7,+3] and the minimum CAAR before the crisis was on [-20,+40]. Table 5.17 also displays overreactions during the crisis with four events producing positive and significant results, but there was no negative with significant results. This tenure showed that the maximum CAAR was on [-40,+20] during the crisis while the minimum CAAR was on [-3,+7]. This tenure also showed that all events reacted positively after the crisis. After the crisis, the market indicated that the maximum CAAR was on [-20,+10] and the minimum CAAR was on [-2,+2]. The number of sukuk issuances during this tenure was the lowest compared to the other tenures, as investors reacted towards safety to avoid risks.

Table 3: CAAR Estimations by Tenure, Based on FTSE KLCI

No	Event Window	Types of Events	1 – 5 Years			5.01 - 10 Years			10.01-15 Years		
			2004-2006	2007-2008	2009-2011	2004-2006	2007-2008	2009-2011	2004-2006	2007-2008	2009-2011
1	[-1,+1]	Symmetric event windows	0.0004 .137	-0.0196** -2.119	-0.0053* -1.790	0.0039 1.165	-0.0067* -1.890	-0.0103 -1.667	-0.0019 -.199	0.0038 1.423	0.0208 1.991
2	[-2,+2]		0.0008 .122	-0.0215 -1.315	-0.0086 -1.325	-0.0053 -.944	-0.0124* -1.719	-0.0015 -.200	0.0131 1.150	0.0004 .050	0.0051 1.772
3	[-3,+3]		0.0228** 2.661	-0.0121 -.551	-0.0102 -1.485	-0.0030 -.484	-0.0208** -2.237	0.0142 1.218	0.0094 .961	-0.0112 -1.238	0.0444 1.229
4	[-7,+7]		-0.0053 -.221	-0.0627 -1.467	-0.0201** -2.143	-0.0136* -1.758	-0.0048 -.472	0.0294* 1.822	0.0009 .071	0.0197 1.056	0.0926 1.471
5	[-15,+15]		-0.0130 -.377	-0.0267 -.392	-0.0475*** -3.534	0.0033 .130	0.1242*** 3.780	0.0272 1.250	-0.0105 -.264	0.4234*** 4.997	0.1229 1.670
6	[-30,+30]		-0.0436 -.617	-0.0247 -.352	-0.0862*** -2.829	0.0254 .665	0.0562 1.259	-0.0174 -.481	-0.0008 -.011	0.4251*** 4.477	0.2104 1.821
7	[-1,+3]	Asymmetric event windows	0.0203** 2.591	-0.0135 -.740	-0.0080 -1.198	0.0032 .614	-0.0048 -.684	-0.0001 -.010	0.0108 1.221	-0.0046 -.808	0.0323 1.723
8	[-3,+1]		0.0029 .435	-0.0181 -1.630	-0.0075** -2.195	-0.0023 -.476	-0.0227*** -4.350	0.0040 .452	-0.0033 -.308	-0.0028 -.420	0.0329 1.177
9	[-2,+4]		0.0050 .417	-0.0181 -1.011	-0.0098 -1.376	-0.0138* -1.799	-0.0157* -1.894	0.0024 .266	0.0137 1.311	-0.0142 -1.213	0.0152 1.159
10	[-4,+2]		0.0126** 2.164	-0.0134 -.784	-0.0145** -2.127	-0.0141* -2.482	-0.0213** -2.656	0.0116 1.194	-0.0021 -.215	0.0058 .622	0.0360 1.159
11	[-3,+5]		0.0060 .326	-0.0123 -.619	-0.0155** -2.117	-0.0083 -1.305	-0.0213** -2.397	0.0095 .839	0.0072 .586	-0.0184 -1.385	0.0522 1.230
12	[-5,+3]		0.0259** 2.432	-0.0755 -1.625	-0.0107 -1.514	-0.0144* -1.729	-0.0346** -2.547	0.0128 1.072	0.0159 1.068	0.0079 .552	0.0572 1.415
13	[-3,+7]		0.0079 .466	-0.0147 -.690	-0.0186** -2.471	-0.0097 -1.312	-0.0064 -.711	0.0226 1.438	-0.0110 -1.363	-0.0196 -1.276	0.0798 1.302
14	[-7,+3]		0.0096 .589	-0.0598 -1.353	-0.0117 -1.396	-0.0070 -.940	-0.0192* -1.798	0.0209* 1.837	0.0213 1.566	0.0281* 1.910	0.0572 1.473
15	[-4,+10]		0.0043 .215	-0.0469 -1.298	-0.0350*** -3.503	-0.0227 -1.297	-0.0181 -1.312	0.0385** 2.400	0.0006 .037	0.0000 .002	0.0909 1.494
16	[-10,+4]		-0.0074 -.333	-0.0368 -.926	-0.0139 -1.547	-0.0208** -2.315	-0.0054 -.503	0.0080 .679	0.0085 1.141	0.0454** 2.394	0.0572 1.686
17	[-10,+20]		0.0286 .784	-0.0367 -.684	-0.0606*** -4.328	0.0112 .388	0.0619*** 2.916	0.0234 1.024	0.0128 .300	0.0744 2.968	0.1334 1.576
18	[-20,+10]		-0.0752 -1.322	-0.0399 -.644	-0.0413*** -3.125	-0.0344* -1.852	0.0742** 2.315	0.0304* 1.753	-0.0264** -2.359	0.3834 4.286	0.1219* 2.496
19	[-20,+40]		-0.0819 -1.014	-0.0536 -.709	-0.0628** -2.117	-0.0518 -1.163	0.0722** 2.222	0.0744* 1.988	-0.0533 -.934	0.3342 3.892	0.2501 2.082
20	[-40,+20]		-0.0125 -.191	-0.0452 -.574	-0.1014*** -5.380	0.0173 .527	0.1596*** 3.326	-0.0335 -1.011	-0.0081 -.118	0.5062 5.014	0.1340 1.304

Note: t-statistics are in parentheses, *Significant at 10%, **Significant at 5%, ***Significant at 1%
Source: Author's calculation

Table 4: Cumulative Average Abnormal Return (CAAR) of Sukuk Issuances in Malaysia by Tenures

Indicators	1.00-5.00 Years			5.01-10.00 Years			10.01-15.00 Years		
	2004-2006	2007-2008	2009-2011	2004-2006	2007-2008	2009-2011	2004-2006	2007-2008	2009-2011
Average Overall	-0.0046	-0.0326	-0.0295	-0.0078	0.0167	0.0133	-0.0002	0.1094	0.0823
Average Significant	0.0204	-0.0196	-0.0397	-0.0185	0.0227	0.0387	-0.0264	0.2305	0.1219
Average Symmetric	-0.0063	-0.0279	-0.0297	0.0018	0.0226	0.0069	0.0017	0.1435	0.0827
Average Asymmetric	-0.0039	-0.0346	-0.0294	-0.0120	0.0142	0.0161	-0.0010	0.0947	0.0822
Minimum	-0.0819	-0.0755	-0.1014	-0.0518	-0.0346	-0.0335	-0.0533	-0.0196	0.0051
Maximum	0.0286	-0.0121	-0.0053	0.0254	0.1596	0.0744	0.0213	0.5062	0.2501
No of Significant (+ve)	4	0	0	0	5	5	0	4	1
No of Significant (-ve)	0	1	13	6	9	0	1	0	0

Note: The average values are calculated based on the significant findings from Table 3. n = 50 companies.
Source: Author's calculation

Table 5: Summary of Sukuk Issuances by Tenures

Years		1.00-5.00 years	Total of 1.00-5.00 years	5.01-10.00 years	Total of 5.01-10.00 years	10.01-15.00 years	Total of 10.01-15.00 years
Before Crisis	2004	9		7		1	
	2005	6	32	10	39	1	10
	2006	17		22		8	
During Crisis	2007	11	23	35	55	3	18
	2008	12		20		15	
After Crisis	2009	25		8		1	
	2010	19	63	2	24	0	5
	2011	19		14		4	
Total		118		118		33	
Total no. of Issuances		269					

Source: Author's calculation

Tables 4 and Table 5 display the market reactions by different tenures. The results show an equal number of issuances between the tenures of 1 – 5 years and 5.01 - 10 years which are 118 issuances each. Although both tenures showed the same number of sukuk issuances, the number of sukuk issuances for the 1- 5 year period, fell during the crisis and increased after the crisis. In contrast, for the moderate tenure of 5.01 - 10 years, the number of issuances increased during the crisis and decreased after the crisis. Sukuk investors avoided risks after the crisis as their confidence was affected by the global crisis. The results showed that the moderate tenure was not affected too much during the crisis. In conclusion, this study suggests the tenure of 5.01 – 10 years is the best tenure for sukuk issuances.

VI. Conclusion

The paper investigates how the stock market reacts to sukuk issuances based on different tenures before, during and after the recent 2008 financial crisis in Malaysia. The findings indicate that there are positive, significant and asymmetric market reactions in the case of '1-5 years, 5.01-10 years and 10.01-15 years' tenures sukuk announcement in certain events. Thus, the findings suggest that the tenure of 5.01 – 10 years is the best tenure for sukuk issuances. The positive market reactions can be interpreted in two ways. First, the market can readily distinguish the news. Second, there are confidence effects that shareholders wealth will be increased through the issuance of these sukuk tenures. This is because, sukuk being neither debt, nor shares are true to the calling of Islamic economics whereby the issue reflects the economic strength of the company and hence the real economic activities underlying the issuance. However, future research might want to distinguish the reaction of stock markets among other types of sukuk structures, for instance wakalah and other hybrid sukuk. In addition, factors that move sukuk markets can also be explored using regression or CAPM analysis to get more accurate results of cumulative average abnormal return.

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