

Explorative Analysis and Visual Representations of Islamic Capital Markets Using Extreme Value Dependence Measures

Alfadino Akbar Ali Akbar¹, Mohd Bakri Adam²

¹ Institute for Mathematical Research (INSPEM), Universiti Putra Malaysia.

² Institute for Mathematical Research (INSPEM), Universiti Putra Malaysia

email: alphadeeno@gmail.com

Abstract

Extreme downturn co-movements of the financial markets are major causes of concern to financial regulators as it could spark crisis and potentially crash a financial system. This is especially when stocks have been shown to be more likely to follow each other's movements in a bear market rather than in bullish condition. Extreme value approach has many tools to measure the dependencies in extreme events. Explorative analysis of the dependency of Islamic capital markets vis-à-vis other dominant global financial markets using extreme value dependence measures would illustrate, in particular, the contagion impact of 2007-2008 Global Financial Crisis.

Keywords: Extreme value theory, Islamic financial markets, Dependence measures, Financial crisis.