



IIRA and DS Assess the Pulse of OIC Capital Markets

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The Islamic International Rating Agency, Bahrain and Dinar Standard, USA have joined hands together to release a research report on the Pulse of the OIC (Organization of Islamic Conference member countries) Islamic Capital Markets. The research was conducted by selecting 28 major OIC markets based upon a combination of quantitative and qualitative assessment of data sourced from Dinarstandard.com and the referenced third-party sources.

The report summarizes the current state of Islamic capital flow within its core OIC markets. The report will provide investors, finance managers, and investment managers with a broad overview of areas of opportunities for them. The report covers three key representative sectors: 1) the Stock Markets of the OIC countries, 2) the flagship industry segment of Sukuk (Islamic Bonds) and, 3) the Islamic Funds market.

The research highlights that total market capitalization of 28 OIC member country equity markets stood at USD 1,860 billion with a total of 6655 companies listed. This even is less than the Shanghai Stock Exchange whose market capitalization stood at USD 2,196 billion with only 879 companies listed. The largest market among OIC member countries by market capitalization is Saudi Tadawul (USD 327 billion) and in terms of number of listings is Bursa Malaysia Berhad with 967 companies. The fastest growing in terms of market capitalization from 01Jan2010 to 30June2010 was Dhaka Stock Exchange.

As far as Sukuk market is concerned, after reaching a peak of 2007, the industry suffered a dramatic decrease in 2008 hit hard by global financial crisis and questions on Shari'a compliance. Default by some of the Sukuk issuers has not helped the situation either. However, in 2009, the situation seemed to have improved a bit with total issuances of USD 23 billion up from USD 19 billion in 2008. As of June 2010, there were a total of 1582 global Sukuk issue outstanding with a total value of USD 137 billion. However, 88% of the Sukuk are not listed and except for Malaysia, most of the Sucks are unrated compared to conventional bonds, where it is norm to obtain ratings. The absence of ratings has also limited the growth of Sukuk markets particularly among the mid market players.

In terms of Islamic Funds market, as of June 2010, there were 504 Islamic mutual funds globally with total assets under management of USD 31 billion. Comparing it to the global funds sector, which stood at USD 22.8 trillion in total assets under management, Islamic Funds are still at a very early stage. However, given that the OIC markets are now roughly 11% of the global economy, there is a significant room for growth in this sector. In terms of asset class, 45% are equity funds while 32% are money market funds. Among the key challenges to this sector is the size of Islamic funds as 80% of them are less than USD 50 million.

The detailed research report containing analysis, ratios and statistics can be downloaded from the IIRA website, www.iirating.com, under the research reports section or at www.dinarstandard.com/oicpulse.

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