

Industry commentary March 2011

Dow Jones Islamic Market Indexes in March: Steering through the turmoil

By Gérard Al-Fil

With much of the Arab world undergoing transformational social and political changes in 2011, the UAE emirate of Dubai and its economy appear to be beneficiaries of the perception that the sheikdom is one of the most secure and stable markets in the region.

For the month ended March 29, the **Dow Jones DFM Titans 10 Index**, which measures the performance of the ten largest Shari'ah-compliant stocks listed on the Dubai Financial Market (DFM), has posted the largest gain (11.60%) within the **Dow Jones Islamic Market Index** (DJIM) family.

The United Arab Emirates has not experienced any civil unrest, and Dubai - known as a hub for trade, banking and tourism - seems to have been rewarded by investors for its stability. Dr. Nasser Saïdi, Chief Economist of the Dubai International Financial Centre, noted that, with the largest free port in the region, Dubai has reaped the benefits of expanded manufacturing production from countries such as China.

Also helping was the re-opening of the Egyptian Exchange, after a seven-week shutdown, which boosted the global investment community's faith in Middle Eastern business and finance.

Nevertheless, risks remain. "Continuing rising oil prices, which currently trade at a 29-month high at \$104 per barrel (light crude), could harm production, trade activity and consumption as in mid-2008," said Dr. Farouk Soussa, Citigroup's Dubai-based Chief Economist for the Middle East.

The civil war in Libya, which triggered a military air campaign from NATO-forces against the nation's leader, Colonel Moammar Gaddafi, has lifted energy prices and global uncertainty. Moreover, the earthquake and nuclear disaster in Japan weighed on investors' sentiment, resulting in the **DJIM Japan Index** posting the DJIM's largest decline in March (7.11%); in comparison, the global bellwether index, the **Dow Jones Industrial Average**, increased by 0.43% during the same period.

In the sector indexes, the **DJIM Utilities Index** rose 2.16% (the month's top gainer), while the **DJIM Technology Index** fell 2.67% (the group's worst performer). The **Dow Jones Citigroup Sukuk Index**, the DJIM composite for Islamic bonds, gained 0.72%.

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