



ARE ISLAMIC STOCKS SAFE-HAVEN ASSETS? DYNAMIC EVIDENCE FROM INDONESIA

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ABSTRACT

This study examines whether Islamic stocks in Indonesia function as safe-haven assets during major global crises by analysing their dynamic correlation with the conventional market. Using the Dynamic Conditional Correlation–Generalized Autoregressive Conditional Heteroskedasticity (DCC–GARCH), this research evaluates time-varying correlations between the Jakarta Composite Index (IHSG) and several financial assets, namely the Indonesia Sharia Stock Index (ISSI), Jakarta Islamic Index (JII), gold, and the USD/IDR exchange rate across four crisis periods: the Taper Tantrum (2013–2014), the U.S.–China Trade War (2018–2020), the COVID-19 pandemic (2020–2021), and the Russia–Ukraine geopolitical crisis (2022–2023). The findings show that Islamic stocks exhibit persistent positive co-movement with the conventional market, indicating limited safe-haven properties despite their theoretical resilience, while gold price and USD/IDR display weak or negative correlations, confirming their roles as short-term safe-haven assets. This study contributes by demonstrating that safe-haven characteristics are dynamic and crisis-dependent, implying that Islamic stocks offer limited diversification benefits during systemic shocks compared to gold and exchange rate exposure.

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1. INTRODUCTION

The global crises of recent years have posed a threat of increased systemic risk in financial markets and disrupted global financial stability. Crises such as the 2008 global financial crisis (GFC), the COVID-19 pandemic, the US–China trade war, and the Russia–Ukraine geopolitical tensions have had a significant impact on the global financial system. The consequences of these crises have led to high volatility and uncertainty, disrupting transmission mechanisms across various countries, including Indonesia. In such situations, investors will seek assets that can act as a hedge against high market fluctuations, known as safe-haven assets. Previous literature indicates that traditional assets such as gold and currencies (e.g. USD, Swiss Franc) act as safe-haven assets during periods of crisis, although the results remain varied and differ over time (Baur & Lucey, 2009) (Siemaszkiewicz, 2021).

One instrument that is increasingly being studied in this context is sharia-compliant shares, which are based on the principles of Islamic finance. It is believed to have a stronger ethical foundation and greater fundamental stability than conventional assets. Islamic finance emphasises the prohibition of *riba* (interest), *gharar* (excessive uncertainty), and *maisir* (speculation), while promoting economic activities based on real assets and profit and loss sharing mechanisms. Due to these characteristics, sharia-compliant shares are often viewed as having greater resilience to macroeconomic shocks (Jahromi, 2025); (Jawad et al., 2018). However, empirical evidence regarding their role as safe-haven assets remains mixed and inconclusive across different crisis periods and market contexts. Arif et al., (2022) found that sharia-compliant shares functioned as a safe haven in developed countries during the COVID-19 pandemic, but did not exhibit similar characteristics during the 2008 global financial crisis. Paltrinieri et al. (2022) also reported that sharia-compliant shares tended to exhibit lower volatility and more stable correlations with conventional markets during the global health crisis, but that this effect weakened during normal periods. These conflicting findings suggest that the safe-haven behavior of sharia-compliant shares is conditional rather than universal, and depends on the source and characteristics of the crisis.

Several studies also highlight the role of non-equity assets such as gold as more consistent safe havens compared to Islamic stocks, particularly during financial crises (Tuna et al., 2019). Meanwhile, Mensi et al., (2015) find that Islamic stock indices, such as the Dow Jones Islamic World Emerging Markets Index (DJIWEM), may serve as hedging instruments in volatile markets, especially in Gulf Cooperation Council (GCC) countries. However, the effectiveness of Islamic stocks as hedging or safe-haven assets depends on market structure and the nature of the crisis. This condition underscores the need for further empirical analysis in emerging markets, including Indonesia, which has distinct investor characteristics and institutional settings (Nofrianto et al., 2024).

In Indonesia, the Islamic capital market continues to grow, but empirical evidence regarding the effectiveness of Islamic equities as safe-haven assets remains limited (Nofrianto et al., 2024)(Arif et al., 2022). The structure of the Indonesian capital market is dominated by domestic retail investors with low levels of portfolio diversification and limited hedging instruments. KSEI data show that, as of December 2025, individual investors accounted for 99.73% of Indonesian capital market investors, and local investors accounted for 99.78% of total investors. Frensidy (2016) show that domestic retail investors on the Indonesia Stock Exchange found that an individual domestic investor held only 4.3 stocks on average, with a median of two stocks, indicating limited diversification. In addition, the Indonesian capital market operates under a dual system in which conventional and Sharia-compliant shares coexist. This structure presents challenges in assessing whether Islamic stocks can effectively function as hedging instruments within a relatively volatile domestic market.

This study aims to address this gap by examining whether sharia-compliant shares in Indonesia exhibit safe-haven properties during four major global crises using a dynamic correlation framework: the Taper Tantrum (2013–2014), the US–China trade war (2018–2020), the COVID-19 pandemic (2020–2021), and the Russia–Ukraine geopolitical crisis (2022–2023). The empirical approach utilizes the Dynamic Conditional Correlation–Generalised Autoregressive Conditional Heteroskedasticity (DCC–GARCH) model. The model developed by (Engle, 2002), which is capable of capturing the dynamics of inter-asset correlations in real time (time-varying correlation) while accounting for changes in volatility. This model is particularly relevant as it enables the identification of changes in correlations between assets during periods of extreme market stress (Jawad et al., 2018); Arif et al., 2022). This approach is also consistent with the flight-to-quality framework, where investors shift toward assets perceived as safer during periods of heightened market uncertainty.

Thus, this study contributes to the literature by providing empirical evidence on the conditional nature of safe-haven behavior of Islamic stocks in an emerging dual financial system. Theoretically, this study deepens understanding of the correlation between Sharia-compliant stocks and conventional assets during multidimensional crises. It also examines whether Sharia-compliant

stocks can sustain their safe-haven role amid changing global macroeconomic conditions. Empirically, this study presents evidence based on the Indonesian capital market using the Dynamic Conditional Correlation–GARCH (DCC–GARCH) approach to identify patterns of dynamic resilience in sharia-compliant shares against various forms of external pressure. The findings of this study are expected to provide strategic implications for investors, portfolio managers, and policymakers in designing sustainable sharia investment strategies, strengthening the stability of the national financial market, and supporting the integration of sharia values into the global financial system.

2. RESEARCH METHODS

This study employs a quantitative approach using the multivariate econometric Dynamic Conditional Correlation–Generalised Autoregressive Conditional Heteroskedasticity (DCC–GARCH) model developed by Engle (2002). This model is used to estimate volatility and time-varying correlations between financial assets. This method is considered the most relevant for analysing the safe-haven characteristics of sharia shares relative to conventional stock markets during various episodes of global crisis, as it is capable of capturing simultaneous changes in the relationships between assets resulting from extreme market fluctuations.

This study was conducted within the context of the Indonesian capital market using secondary data from the Indonesia Stock Exchange (IDX), Bank Indonesia (BI) and Investing.com. The research subjects comprised four main groups of financial assets, namely: (1) the Composite Stock Price Index (IHSG) as a representation of the conventional stock market; (2) the Indonesia Sharia Stock Index (ISSI) and the Jakarta Islamic Index (JII) as proxies for sharia-compliant shares; and (3) global gold prices and the USD/IDR exchange rate as benchmark assets. In this study, the daily data were transformed into logarithmic returns before further analysis was conducted. This step was necessary to make the movement of each variable more comparable, particularly because the variables are expressed in different units and scales. In addition, the use of logarithmic returns helps reduce the possibility of non-stationary patterns, which is an important issue when working with time-series financial data.

This study examines the impact of crisis events that have affected global and Indonesian financial markets. The crisis events examined in this study are, firstly, the ‘Paper Tantrum’ period, which ran from 1 May 2023 to 31 March 2014; this crisis represented a monetary policy shock following the Federal Reserve’s tapering announcement, which placed pressure on capital flows and the exchange rate. Second, the US-China Trade War, from 1 July 2018 to 31 January 2020, which demonstrated trade uncertainty leading to volatility in the Indonesian stock market. Third, the Covid-19 Crisis, which occurred from 1 February 2020 to 31 December 2021. This Covid-19 crisis was linked to lockdown policies that restricted activities, thereby increasing investor anxiety. Fourth, the Russia-Ukraine crisis, which occurred from 1 February 2022 to 31 December 2023, which exerted geopolitical pressure affecting energy prices, inflation, and exchange rates in Indonesia. These crisis periods were selected to represent different types of global shocks, monetary, trade, health, and geopolitical, allowing for a comparative assessment of safe-haven behavior under varying sources of market stress.

An analysis of these four crisis periods reflects various types of global shocks that are relevant for testing the role of sharia-compliant shares as a potential safe-haven asset. This study employs a dynamic approach comparing the ISSI, JII, gold, and the USD/IDR exchange rate against the IHSG to provide empirical evidence that Sharia-compliant shares can preserve investment value during market crises.

The analysis was conducted in three main stages. First, all price data were transformed into logarithmic returns using the formula:

$$r_t = \ln(P_t/P_{t-1}) \dots \dots \dots (1)$$

to reduce heteroscedasticity and ensure stationarity, followed by the Augmented Dickey–Fuller (ADF) test to check for the absence of unit roots, the Ljung–Box autocorrelation test, and the Engle–Lemish ARCH effect test to confirm the suitability of the GARCH model.

Second, a univariate GARCH(1,1) model was estimated for each asset to identify conditional volatility, formulated as:

$$h_t = \omega + \alpha \varepsilon_{t-1}^2 + \beta h_{t-1}, \dots \dots \dots (2)$$

under the conditions $\omega > 0$, $\alpha, \beta \geq 0$, and $\alpha + \beta < 1$, which ensure model stability and mean-reverting volatility consistent with financial time series behaviour; thereafter, the DCC–GARCH model was applied to estimate dynamic correlations between assets, where the conditional covariance matrix $H_t = D_t R_t D_t$ evolves through $Q_t = (1 - a - b) \bar{Q} + a(z_{t-1} z'_{t-1}) + b Q_{t-1}, \dots \dots \dots (3)$ with parameters a and b capturing the sensitivity of correlations to short-term shocks and their persistence over time, and the dynamic correlation coefficient $\rho_{ij,t}$ between the IHSG and each benchmark asset (ISSI, JII, gold, and USD/IDR) derived from this matrix.

Third, safe-haven characteristics were evaluated based on dynamic correlation behaviour during crises, whereby an asset was categorised as a safe haven if it exhibited a negative or insignificant correlation with the IHSG during the crisis period (Baur & Lucey, 2009). All analyses were conducted using EViews and OxMetrics software, with a t-distribution model applied to account for fat-tailed distributions common during periods of high volatility, though it is acknowledged that the DCC–GARCH model assumes linear correlation dynamics and its results may be sensitive to the selection of crisis periods.

3. RESULTS AND DISCUSSION

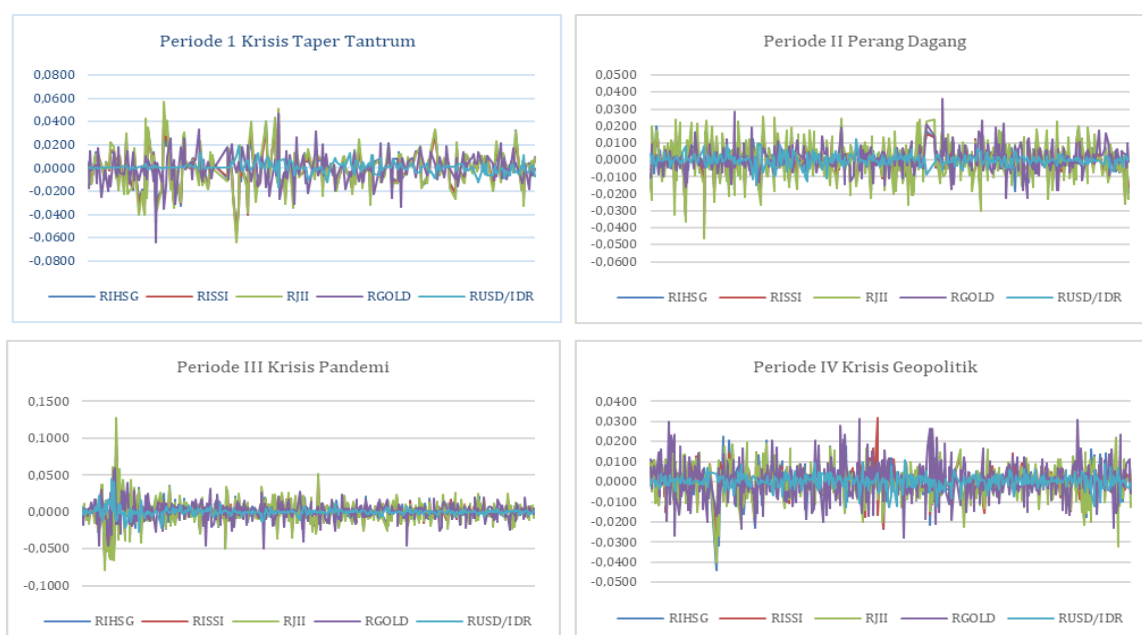
3.1. RESULTS

Table 1. Descriptive Statistics of Daily Returns for the IHSG, the Sharia Index, Gold, and the USD/IDR Exchange Rate during Four Periods of Global Crisis (2013–2023)

	Minimum	Maximum	Mean	Std Dev	Skewness	Kurtosis
Periode	The Taper Tantrum Crisis (1 Mei 2013–31 Maret 2014)					
IHSG	-0.0558	0.0465	-0.0001	0.0145	-0.1232	1.3691
ISSI	-0.0559	0.0471	-0.0002	0.0151	-0.1120	1.1597
JII	-0.0639	0.0574	-0.0001	0.0179	0.0733	0.8967
Gold	-0.0639	0.0472	-0.0005	0.0131	-0.3240	2.7358
USD/IDR	-0.0168	0.0186	0.0007	0.0045	0.0389	2.6538
Periode	The US–China Trade War (1 Juli 2018–31 Januari 2020)					
IHSG	-0.0376	0.0197	0.0001	0.0082	-0.5416	1.6130
ISSI	-0.0390	0.0191	0.0000	0.0083	-0.5662	1.4222
JII	-0.0465	0.0256	0.0000	0.0113	-0.3559	0.6768
Gold	-0.0225	0.0359	0.0006	0.0071	0.4747	2.8269
USD/IDR	-0.0150	0.0120	-0.0001	0.0033	-0.4105	2.8283
Periode	COVID-19 Pandemic Crisis (1 Februari 2020–31 Desember 2021)					
IHSG	-0.0658	0.1019	0.0003	0.0138	0.2586	2.9338
ISSI	-0.0635	0.0908	0.0003	0.0135	0.1470	2.8011
JII	-0.0784	0.1281	-0.0001	0.0174	0.4883	2.6576
Gold	-0.0499	0.0595	0.0003	0.0122	-0.2152	4.0541
USD/IDR	-0.0275	0.0457	0.0001	0.0053	1.9187	2.5960
Periode	The Russia–Ukraine Geopolitical Crisis (1 Februari 2022–31 Desember 2023)					
IHSG	-0.0442	0.0224	0.0002	0.0073	-0.7259	3.7425
ISSI	-0.0281	0.0320	0.0003	0.0070	-0.2060	1.3102
JII	-0.0402	0.0259	0.0000	0.0085	-0.3595	1.1637
Gold	-0.0280	0.0314	0.0004	0.0092	0.2166	0.9351
USD/IDR	-0.0128	0.0107	0.0002	0.0033	-0.7453	2.5929

Table 1 presents descriptive statistics for the IHSG, ISSI, JII, gold and USD/IDR. The results show that the mean of all assets during the crisis period was around zero, indicating that daily price movements were volatile without a clear directional trend and suggesting the presence of short-term market efficiency. Differences between periods are determined more by volatility and risk distribution than by average return levels. The Covid-19 crisis period showed the highest volatility (standard deviation), caused by global uncertainty which led to high market turbulence. Conversely, during the Russia–Ukraine crisis period, volatility was relatively lower, indicating that market conditions were beginning to stabilize despite remaining under external pressure. These results indicate differences in skewness, implying asymmetry in the distribution of returns across periods.

A negative skew in the IHSG, ISSI, and JII emerged during the Taper Tantrum and Russia–Ukraine periods, indicating that the risk of a decline was greater than the potential for an increase. Meanwhile, the IHSG exhibited a positive skew during the COVID-19 crisis, reflecting volatility with a tendency towards recovery following the initial pressures of the pandemic. The USD/IDR pair displayed high positive skewness during the same period, indicating a sharp appreciation of the dollar against the rupiah amidst uncertainty, whilst gold remained relatively stable with



skewness approaching zero, reinforcing its role as a store of value.

Figure 1. Daily Return Trends for the IHSG, ISSI, JII, Gold and USD/IDR During Four Periods of Global Crisis (2013–2023)

Meanwhile, kurtosis values that are generally greater than three for some assets, particularly during the COVID-19 pandemic and the Russia–Ukraine crisis, confirm the presence of fat-tailed characteristics in the return distribution. This indicates that extreme fluctuations occur more frequently than predicted by a normal distribution, particularly in the IHSG, gold, and USD/IDR. This leptokurtic phenomenon reinforces the justification for using a t -distribution-based GARCH model in this study, to capture the dynamics of volatility and extreme risk that cannot be explained by ordinary linear models. Overall, these descriptive statistical patterns confirm the existence of structural changes in volatility across crisis periods, which form the basis for further analysis using the DCC-GARCH approach to identify dynamic correlations and the potential role of sharia-compliant shares as a sustainable safe-haven asset amidst global uncertainty.

Figure 1 shows the daily return movements of the IHSG, ISSI, JII, gold and USD/IDR during four periods of global crisis, namely the Taper Tantrum Crisis (2013–2014), the US – China Trade War (2018–2020), the COVID-19 Pandemic Crisis (2020–2021), and the Russia–Ukraine Geopolitical Crisis (2022–2023). Visually, the highest volatility was observed during the COVID-19 pandemic period, marked by extreme spikes in the IHSG and Sharia indices at the start of 2020 due to market panic and simultaneous global economic shocks. During the trade war and geopolitical crises, return patterns appeared calmer than during the pandemic period. Fluctuations were still evident. However, most movements hovered around the zero line, meaning market pressures did not appear particularly extreme. These results suggest that market participants have anticipated these developments by adjusting their expectations in response to the prolonged external uncertainty. Furthermore, the ‘taper tantrum’ period revealed significant pressure. This pressure was caused by changes in US monetary policy, which affected capital flows and exchange rates. Nevertheless, the turbulence during that period was not as intense as during the pandemic, when uncertainty arose suddenly and had a widespread impact on almost all sectors of the economy.

Table 2. Results of the DCC–GARCH Model Estimation between the IHSG and Benchmark Assets during Four Global Crisis Periods (2013–2023)

IHSG	The Taper Tantrum Crisis			
	$\bar{\rho}$	α	β	ν
ISSI	0.9805	0.0000	0.0000	4.8200
JII	0.9658	0.0000	0.0000	5.0900
Gold	0.0852	0.0170	0.3154	5.2800
USD/IDR	-0.3523	0.0019	0.0000	4.6900
	The US–China Trade War			
	$\bar{\rho}$	α	β	ν
ISSI	0.9507	0.0049	0.2143	5.2200
JII	0.9212	0.0129	0.5801	5.4900
Gold	-0.0293	0.0054	0.0000	4.7100
USD/IDR	-0.4167	0.0000	0.2237	4.8500
	COVID-19 Pandemic Crisis			
	$\bar{\rho}$	α	β	ν
ISSI	0.9407	0.0555	0.8844	4.5600
JII	0.9145	0.0480	0.8918	4.5900
Gold	0.0677	0.0000	0.0000	4.4200
USD/IDR	-0.3513	0.0131	0.9176	3.8000
	The Russia–Ukraine Geopolitical Crisis			
	$\bar{\rho}$	α	β	ν
ISSI	0.8082	0.0232	0.2605	5.1800
JII	0.7380	0.0000	0.0000	5.4800
Gold	0.1505	0.0213	0.0000	5.1500
USD/IDR	-0.3056	0.0042	0.9948	4.5800

Note: $\bar{\rho}$ indicates the average dynamic correlation between the IHSG and the benchmark asset; α measures sensitivity to new shocks; β indicates the persistence of the correlation; and ν (degree of freedom) represents the thickness of the tail of the return distribution associated with extreme volatility.

For testing the prerequisites of the DCC–GARCH model, Prior to estimating the DCC–GARCH model, a series of preliminary tests were conducted to ensure the suitability of the data. The results of the stationarity test using the ADF method indicated that all daily return data were stationary at the 1% significance level, suggesting that the data were free from unit roots and suitable for volatility analysis. Autocorrelation tests using the Ljung-Box test also confirmed that the residuals did not exhibit significant autocorrelation, thus the mean model used was adequate. Furthermore, the results of the ARCH effect test via the Lagrange Multiplier indicated the presence of significant conditional heteroscedasticity in the majority of the return series, which served as the basis for justifying the use of the GARCH model.

The results of the DCC-GARCH model estimates in Table 2 illustrate the dynamics of the correlation between the IHSG and four major financial assets—the ISSI, JII, gold and USD/IDR—during four distinct periods of global crisis. The average dynamic correlation coefficient (ρ) indicates the degree of relationship between movements in the conventional stock market and other assets, whilst the parameters α and β describe, respectively, the sensitivity to new shocks and the persistence of the correlation over time. The parameter ν (degree of freedom) reflects the thickness of the tail of the return distribution, which is related to the intensity of extreme volatility in the market.

3.2. DISCUSSION

During the Taper Tantrum crisis, the correlation between the IHSG and the Sharia indices (ISSI and JII) was very high, at 0.9805 and 0.9658 respectively, indicating that the Sharia market moved almost in tandem with the conventional stock market. This shows a robust structural interdependence in the domestic financial system, in which both indices showed a simultaneous response to the Fed’s tapering policy in 2013 (Lai & Chen, 2018). This high co-movement may reflect the strong integration of Islamic and conventional equities in Indonesia, where both indices largely consist of overlapping firms and are driven by the same macroeconomic factors, limiting their ability to provide diversification benefits during systemic shocks. On the other hand, the correlations of IHSG with gold (0.0852) and USD/IDR (–0.3523) are in the opposite direction, which means both can be promising diversification assets. The very small values of α and β show that the correlation dynamics during this period were relatively stable without any prolonged shocks, while ν of around 5 indicates a relatively normal distribution of returns.

During the US–China trade war, the correlation between the IHSG and the ISSI and JII remained high (0.9507 and 0.9212), though it showed a slight decline compared to the previous period, indicating a minor difference in the speed of response to global uncertainty. Meanwhile, the negative correlation between the IHSG and gold (–0.0293) and USD/IDR (–0.4167) reinforces their dual function as hedging assets, with the dollar tending to appreciate as external pressures increase (Baur & Lucey, 2010). Higher β values, particularly for the JII (0.5801), indicate increased persistence in the relationship between stock indices during periods of international trade tension. This persistent correlation suggests that Islamic stocks do not decouple from the conventional market during external shocks, reinforcing the view that their role as safe-haven assets is limited and context-dependent, particularly in highly integrated emerging markets.

A different pattern emerged during the COVID-19 pandemic. During this period, the α and β coefficients in the relationship between the IHSG and the ISSI and JII rose quite sharply. The α values ranged from 0.0555 to 0.0480, whilst the β values reached 0.8844–0.8918. These figures indicate that the dynamic correlation between conventional and Islamic stock markets has become significantly stronger. The markets also appear to react more readily to new shocks. This situation has arisen because the pandemic has imposed restrictions on economic activity, public mobility and investor expectations, whilst placing pressure on the financial sector. A high β value indicates that movements in the Islamic and conventional markets are in sync. These findings support the research by (Dimitriou et al., 2020), which states that correlations between markets typically increase during systemic crises. This phenomenon can be explained by contagion effects

and flight-to-liquidity behavior, where investors rebalance portfolios across all equity segments simultaneously, reducing the distinction between Islamic and conventional assets during extreme uncertainty. Meanwhile, gold and USD/IDR have different implications compared to the stock index. The correlation between the IHSG and gold is 0.0677, and the correlation between the IHSG and USD/IDR is -0.3513, indicating that both can still be considered safe-haven assets.

During the Russia–Ukraine geopolitical crisis, the correlation coefficients between the IHSG and the Sharia indices fell sharply ($\bar{\rho} = 0.8082$ for the ISSI and 0.7380 for the JII), indicating a weakening of the structural link between domestic markets. This suggests a partial weakening of market integration, although the correlation remains relatively high, indicating that the diversification benefits of Islamic stocks are still limited. On the other hand, gold showed a stronger positive correlation ($\bar{\rho} = 0.1505$), reflecting a shift in investor perception of gold as a liquid and safe asset amidst prolonged global uncertainty. The negative correlation of USD/IDR (-0.3056) also indicates the appreciation of the dollar against the rupiah, which is common during periods of geopolitical tension (Raza et al., 2016). The USD/IDR β value, which is close to 1 (0.9948), indicates high persistence in exchange rate dynamics, reflecting monetary tensions resulting from unstable global capital flows.

Overall, the results of the DCC-GARCH estimation indicate that the correlation between conventional and Sharia stock markets in Indonesia tends to be strong and synchronous during periods of crisis, whilst gold and USD/IDR consistently demonstrate their role as safe-haven assets or portfolio diversifiers. This consistently high correlation indicates that Islamic stocks in Indonesia do not function as effective safe-haven assets, as they fail to provide protection against downturns in the conventional market. From a portfolio perspective, this implies limited diversification benefits, as assets that move synchronously cannot effectively reduce overall portfolio risk. Changes in correlation values across periods indicate that the safe-haven function is dynamic and depends on the type of crisis faced, in line with the findings of Baur and McDermott (2010) and (Reboredo, 2013), who emphasise that an asset's ability to function as a hedge is highly contextual to the source of global economic uncertainty.

4. CONCLUSION

This study concludes that sharia-compliant shares in Indonesia, as represented by the Indonesia Sharia Stock Index (ISSI) and the Jakarta Islamic Index (JII), exhibit dynamic and context-dependent behaviour in response to various types of global crises. Based on the results of the DCC–GARCH model estimation, the correlation between the sharia stock market and the conventional stock market (IHSG) generally remains high, particularly during financial crises and the pandemic, indicating strong structural interconnectivity within the domestic capital market, signalling a partial weakening of market integration, although the correlation remains relatively high. This indicates that sharia-compliant shares are structurally linked to the conventional market, limiting their effectiveness as independent risk-mitigating assets, although their behaviour may vary across different types of crises. These findings contribute to the literature by demonstrating that the safe-haven behaviour of Islamic stocks is conditional and driven more by market structure than by the underlying principles of Islamic finance.

Furthermore, gold and the USD/IDR exchange rate consistently exhibit a negative or weak correlation with the IHSG, reinforcing their role as short-term safe-haven assets amid global uncertainty. Gold appears more stable throughout the crisis period, while the USD/IDR exchange rate tends to act as a hedge against domestic market risks when external pressures increase. These findings are consistent with the flight-to-quality theory, whereby investors tend to shift towards safer assets when systemic risks rise.

From a policy perspective, the findings of this study underscore the importance of developing a deeper and more liquid Islamic capital market, in order to reduce the structural dependence of Islamic equities on conventional markets and enhance their potential role in financial stability. For investors, these findings suggest that Islamic stocks should not be relied upon as primary safe-haven assets during systemic crises, but rather as complementary instruments within a

diversified portfolio alongside assets such as gold and foreign exchange exposure. Meanwhile, for policymakers, these results demonstrate that the integration of sharia instruments into the national financial architecture is not only of normative value but also contributes to the sustainable stability of the financial system.

However, this study is subject to several limitations, including its focus on a single-country context and the use of the DCC–GARCH model, which captures linear correlation dynamics and may not fully account for nonlinear relationships across assets. As a direction for future research, the study could be expanded to include a sectoral analysis of sharia-compliant shares and a cross-country comparison within the ASEAN region to assess whether the resilience of sharia-compliant shares is specific to the Indonesian market context or represents a broader phenomenon within the global Islamic financial ecosystem.

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