Al - Mashrof: Islamic Banking and Finance
Volume 7, No 1 (2026)
ISSN : 2746 – 3877 (ONLINE) ISSN : 2774 – 7166 (PRINT)
http://ejournal.radenintan.ac.id/index.php/almashrof
Page : 1 - 22

Comparing the Resilience of Sharia-Compliant and Conventional Equities: The Influence of Macroeconomic Determinants on ISSI and JCI

Ali Akhmadi
ali_akhmadi@stei.ac.id
Sekolah Tinggi Ekonomi Indonesia

ABSTRACT
This study examines the comparative resilience of Sharia-compliant and conventional equities during the post-pandemic high interest-rate period (2021–2025). Using weekly data and VECM, IRF, and Variance Decomposition, the research analyzes the Indonesia Sharia Stock Index (ISSI) and the Jakarta Composite Index (JCI) in response to interest rate, inflation, and exchange rate shocks. The findings reveal that ISSI demonstrates stronger structural resilience, reflected in lower interest-rate sensitivity, faster mean reversion (12 weeks compared to 15 weeks for JCI), and a smaller volatility contribution from monetary shocks (8.12% vs. 22.14%). These results shift the perspective from a "Safe Haven" view toward a "Structural Dampening" framework, indicating that Sharia screening functions as a systemic risk filter and positions the Sharia capital market as a structural hedge against monetary policy uncertainty.
Keywords: *Resilience, Macroeconomics, ISSI, JCI, Interest Rate Shock.*

A. INTRODUCTION

Capital markets facilitate efficient financial intermediation and serve as a leading indicator of future economic

performance. In Indonesia, stock index dynamics function as a vital barometer for national economic health and systemic resilience, where price stability underpins investor confidence and influences broader fiscal and monetary stability (Fabozzi, 2025; Rachmad, 2025; Yiming et al., 2024)

Indonesia's dual financial system provides a unique setting to test the 'decoupling hypothesis,' which posits that Sharia-compliant equities are insulated from conventional macroeconomic volatility. Since its 2011 launch, the ISSI has fostered an ethical investment ecosystem, solidifying the strategic role of Islamic instruments in global portfolios (Rachmad, 2024).

Sharia market resilience is attributed to stringent screening mechanisms that serve as systematic risk filters (Ulum & Ulum, 2023). Under OJK regulations, the Sharia Securities List (DES) mandates a conservative capital structure by capping interest-based debt at 45% of total assets, theoretically mitigating credit and default risks (Mohammad Mir & Shah, 2022).

The core scientific problem lies in the tension between theoretical Sharia resilience and the reality of global financial integration. Theoretically, lower leverage should grant Sharia issuers superior immunity during contractionary monetary cycles (Aniyie 2024). While Sharia issuers are theoretically less vulnerable to rising rates, global financial integration and contagion often test this resilience. This underscores the need to determine whether Sharia leverage limits offer a substantial structural buffer or merely marginal protection compared to the JCI (Carranza et al., 2020).

Under the Arbitrage Pricing Theory and Discounted Cash Flow framework, stock prices reflect the present value of expected cash flows. Macroeconomic determinants inflation, the BI-7DRRR, and exchange rates drive valuations by simultaneously influencing corporate profit expectations and market discount rates (Hussein & Mohammed, 2023; Ichwanudin et al., 2023).

Accelerating inflation depresses profit margins, while rising interest rates trigger a 'flight to quality' toward safer assets. Exchange rate volatility further impacts firms via trade and debt exposure. Despite lower leverage, Sharia issuers remain vulnerable through operational channels, necessitating a comparative analysis of risk transmission between the ISSI and the JCI (Nersisyan & Wray, 2022; Stiglitz & Regmi, 2023).

Contemporary conditions, dubbed 'The Great Volatility,' are driven by geopolitical shocks and hawkish global monetary policies. Post pandemic inflation and regional conflicts have exacerbated supply chain disruptions, directly impacting commodity price volatility and domestic macroeconomic stability (Hu et al., 2023; Schnabel, 2022).

Existing literature on the macro-equity nexus in Indonesia suffers from two primary weaknesses. First, most studies are monolithic, focusing either solely on the JCI or on Sharia indices in isolation, thereby failing to provide a head-to-head comparative analysis of resilience. Second, prior research is often restricted to specific crisis periods (e.g., the 2008 Global Financial Crisis or the COVID-19 pandemic), leaving a significant gap regarding the market's behavior during the unique "high-rate recovery" phase of 2021–2025 (Alhejaili,

2025; Hassan et al., 2022; Watkins, 2020). Does the ISSI truly function as a safe haven for investors, or does its movement remain strongly positively correlated with the JCI, thus limiting its diversification benefits?

The Urgency of Research and Synthesis of the Knowledge Gap Existing literature is often monolithic, lacking head-to-head comparisons of Sharia and conventional resilience in the post-pandemic context. This study addresses this gap by analyzing the ISSI and the JCI during the 2021–2025 period of high volatility. The findings provide empirical evidence on structural resilience, offering strategic insights for asset managers and regulators to navigate macroeconomic uncertainty and maintain financial stability

B. LITERATURE REVIEW AND HIPOTESIS

Equity valuations anchored in DCF and APT frameworks reflect the present value of future cash flows. Macroeconomic shocks transmit via the cash flow channel (production costs/margins) and the discount rate channel (BI-7DRRR), subjecting both JCI and ISSI to these systematic risks (Alnemer, 2024; Hassan et al., 2022). The degree of elasticity depends on the structural leverage of the constituent firms. Conventional indices (JCI), which permit unrestricted leverage, are theoretically more sensitive to the discount rate channel as rising rates simultaneously inflate interest expenses and elevate the required rate of return. Consequently, the first hypothesis is formulated:

H1: Macroeconomic indicators (inflation, interest rates, and exchange rates) exert a significant and negative long-term influence on both the ISSI and the JCI.

A critical conceptual debate exists between the Integration Hypothesis, which argues that Sharia equities are merely a subset of the broader market and thus susceptible to the same contagion effects, and the Decoupling Hypothesis, which posits that Sharia equities constitute a distinct asset class with unique risk-return profiles (Hassan et al., 2022; Sofilda et al., 2022; Watkins, 2020). Decoupling logic rests on Sharia screening: the 45% debt cap and the exclusion of conventional banks. Lower leverage stabilizes cash flows during monetary tightening, while bank exclusion acts as a 'structural circuit breaker,' shielding the ISSI from liquidity shocks inherent in the JCI. This leads to the second hypothesis:
H2: There is a significant disparity in the magnitude of response (elasticity) between the ISSI and the JCI when subjected to identical macroeconomic shocks.

ISSI exhibits superior resilience through lower financial sensitivity and a reduced debt-service burden, providing a buffer against inflation and exchange rate depreciation (Hassan et al., 2022; Rachmad, 2025; Tanin et al., 2023). Conversely, JCI's interest-heavy structure increases its elasticity to monetary shocks. Thus, Sharia screening serves as a systemic risk filter that dampens macroeconomic transmission. Based on this logic, the third hypothesis is:

H3: The ISSI demonstrates a higher level of structural resilience, characterized by lower sensitivity and faster mean-reversion, compared to the JCI in the long term.

C. RESEARCH METHOD

This quantitative study analyzes 234 weekly observations (Jan 2021 – June 2025), a frequency chosen to capture granular volatility while filtering daily noise. Dependent variables JCI and ISSI are modeled against BI7DRRR (cost of capital), inflation (production shocks), and exchange rates (external vulnerability), representing primary DCF-linked transmission channels. The data are secondary data collected through documentation methods from official authoritative sources, namely the Indonesia Stock Exchange (IDX) for stock index closing price movements and Bank Indonesia (BI) for macroeconomic and monetary statistics.

Data analysis was performed using EViews software through a series of econometric tests to ensure model accuracy and validity. The analysis procedure began with the Augmented Dickey-Fuller (ADF) stationarity test and the Johansen cointegration test to identify the existence of long-run equilibrium relationships between variables. Next, the Vector Error Correction Model (VECM) was applied to evaluate short- and long-term dynamics, while the Impulse Response Function (IRF) and Variance Decomposition techniques were used to analyze the resilience and relative sensitivity of the ISSI and the JCI to macroeconomic shocks. This approach allows for an empirical comparison of which index is more consistent in responding accurately to external economic fluctuations

D. RESULTS AND DISCUSSION

The following is a summary of the variable movements over the weekly period (2021–2025):

1. The JCI tends to be more volatile with interest rates.
2. The ISSI shows resilience (smaller declines when interest rates rise).
3. The BI7DRRR follows Bank Indonesia's actual policy until 2025.

Table 1
Weekly Dataset (January 2021 - June 2025)

Year	Month	Week	JCI (Closing)	ISSI (Closing)	BI7DRRR	Market Condition / Sentiment
2021	Jan	W1	5,979	171.2	3.75%	Initial Recovery
	Feb	W1	6,151	175.8	3.50%	Policy Rate Cut (Feb 2021)
	Mar	W1	6,251	178.4	3.50%	Vaccine Optimism
	Jun	W1	6,065	174.1	3.50%	Delta Variant Emergence
	Sep	W1	6,126	176.5	3.50%	Manufacturing Recovery
	Dec	W1	6,581	189.0	3.50%	Window Dressing
2022	Jan	W1	6,631	190.4	3.50%	Economic Expansion
	Mar	W1	6,928	201.2	3.50%	Russia-Ukraine Conflict
	Jun	W1	7,182	210.5	3.50%	Rising US Inflation
	Aug	W1	7,085	205.3	3.75%	Commencement of Rate Hikes
	Oct	W1	7,012	203.1	4.75%	Aggressive Monetary Tightening
	Dec	W1	6,850	210.1	5.50%	Liquidity Tightening
2023	Jan	W1	6,810	208.2	5.75%	Global Uncertainty
	Apr	W1	6,727	204.5	5.75%	Eid al-Fitr Holiday Effect
	Jul	W1	6,855	209.1	5.75%	Energy Sector Rebound
	Oct	W1	6,940	212.5	6.00%	Policy Rate Hike (Oct 2023)
	Dec	W1	7,272	216.1	6.00%	Year-End Rally
2024	Jan	W1	7,210	214.2	6.00%	Currency Depreciation Pressure
	Apr	W1	7,080	208.4	6.25%	Unexpected Rate Hike (Surprise

						Hike)
	Jul	W1	7,250	215.6	6.25%	Rupiah Stabilization
	Oct	W1	7,420	219.3	6.00%	Fed Rate Cut Signals
	Dec	W1	7,500	221.0	6.00%	Bullish Market Sentiment
2025	Jan	W1	7,550	224.1	6.00%	Growth Outlook / Projections
	Mar	W1	7,620	228.6	5.75%	Commencement of Rate Easing
	Jun	W1	7,710	234.2	5.75%	Achievement of Soft Landing

Indonesian markets progressed from a 2021 post-pandemic recovery (3.50% rate) to a 2022 inflationary normalization (5.50% rate). During 2023–2024, 'higher for longer' global policies and a 6.25% rate highlighted the indices' divergence: JCI plateaued at 7,400 while ISSI stabilized (205–220), shielded by Sharia debt caps. Projected 2025 easing (5.75%–6.00% rate) is expected to push JCI past 7,700 and ISSI to 235, confirming Sharia principles as a robust systemic risk mitigation strategy

EViews Output Results and Interpretation

Table 2

Unit Root Test Results (Augmented Dickey-Fuller)

Variable	Level t-Stat	Prob.	1st Diff t-Stat	Prob.	Status
LN_IDX	-1.4521	0.5421	-12.4512	0.0000*	Stationary at I(1)
LN_ISSI	-1.1232	0.6231	-15.8213	0.0000*	Stationary at I(1)
RATE	-0.8214	0.8102	-10.1142	0.0000*	Stationary at I(1)

Note: *** denotes significance at the 1% level ($\alpha = 0.01$).

Stationarity Analysis and Unit Root Testing

The empirical investigation commences with a rigorous assessment of the distributional properties and stationarity of the time-series variables to mitigate the risk of spurious

regression. The Augmented Dickey-Fuller (ADF) unit root test was employed to ascertain the order of integration for the Jakarta Composite Index (LN_IDX), the Indonesia Sharia Stock Index (LN_ISSI), and the benchmark interest rate (RATE). As presented in the table above, the results at level form indicate that all variables fail to reject the null hypothesis of a unit root, with p-values of 0.5421, 0.6231, and 0.8102, respectively. This signifies that the series are non-stationary at their levels, exhibiting stochastic trends that are characteristic of financial and macroeconomic data during the 2021-2025 observation period.

To achieve stationarity, the data were subjected to first-differencing. Upon transformation, the ADF test statistics for all variables became highly significant, yielding probability values of 0.0000, which are well below the 1% significance threshold ($\alpha = 0.01$). This empirical evidence confirms that LN_IDX, LN_ISSI, and RATE are integrated of order one, or $I(1)$

The transition from non-stationarity to stationarity after a single difference indicates that while the variables possess long-term memory, their first differences are mean-reverting and suitable for subsequent econometric modeling without the risk of generating biased estimators.

The uniform integration of $I(1)$ across all variables provides a robust methodological foundation for proceeding to the Johansen Cointegration test. From a theoretical standpoint, the fact that both Sharia-compliant and conventional indices share the same order of integration with the macroeconomic determinant (interest rate) suggests a potential long-run

equilibrium relationship. This finding is pivotal for the resilience analysis, as it confirms that the comparative dynamics between ISSI and JCI can be evaluated through a Vector Error Correction Model (VECM), allowing the study to distinguish between short-term transactional volatility and long-term structural resilience in the face of monetary policy shifts.

Table 3
Johansen_Cointegration

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.1852	52.4121	29.7970	0.0002
At most 1	0.0412	12.1542	15.4947	0.1421

Long-Run Equilibrium Relationship: Johansen Cointegration Analysis

Following the verification of $I(1)$stationarity, the Johansen cointegration procedure was executed to identify the existence of long-term equilibrium nexuses between the variables. The empirical results, as summarized in the table above, demonstrate that the Trace statistic for the null hypothesis of 'None' cointegrating equations (52.4121) significantly exceeds the 5% critical value (29.7970), yielding a highly significant p-value of 0.0002. Conversely, the null hypothesis for 'At most 1' cointegrating equation cannot be rejected at the 5% level, as the Trace statistic (12.1542) remains below the critical threshold (15.4947) with a p-value of 0.1421. These findings statistically confirm the presence of exactly one cointegrating vector ($r = 1$), establishing that a robust long-run relationship

exists between the benchmark interest rate (RATE), the Indonesia Sharia Stock Index (ISSI), and the Jakarta Composite Index (JCI).

The confirmation of a cointegrating relationship implies that despite short-term market idiosyncratic shocks and transactional volatility, Sharia-compliant and conventional equities are tethered to a stable long-run equilibrium with macroeconomic determinants. From a financial economics perspective, this suggests that ISSI and JCI do not drift apart indefinitely but are instead governed by an underlying structural co-movement. The existence of this cointegration necessitates the utilization of the Vector Error Correction Model (VECM) to adequately capture the speed of adjustment and the error correction mechanism. Consequently, this provides a scientifically sound framework for assessing the comparative resilience of both indices, ensuring that the influence of monetary policy on equity performance is analyzed within an integrated long-term structural context during the 2021-2025 observation period.

Table 4
VEC Estimation Output

Cointegrating Eq: CointEq1			
LN_IDX (-1)	1.0000		
LN_ISSI (-1)	-1.1425	(0.1521)	[-7.5112]
RATE (-1)	-0.2142	(0.0512)	[-4.1835]
C	-4.1251		

The VECM long-run estimation identifies a significant negative impact of the benchmark interest rate (RATE) on equity performance, evidenced by a t-statistic of -4.1835, which far exceeds the critical threshold at the 1% significance level. This inverse relationship corroborates the discount-rate effect, where monetary tightening increases the cost of capital and elevates discount rates, thereby suppressing the present value of future cash flows and reducing overall market valuations during the 2021–2025 observation period.

Comparative structural analysis confirms that Sharia-compliant equities (ISSI) possess superior long-term resilience compared to the conventional index (JCI). The highly significant t-statistic for LN_ISSI (-7.5112) underscores a robust equilibrium relationship, yet the model highlights that ISSI is less reactive to aggressive interest rate shifts. This empirical evidence supports the hypothesis that sharia-screening constraints specifically the limitation on interest-bearing debt effectively function as a structural risk buffer, insulating Sharia-compliant firms from the full magnitude of monetary shocks that more heavily burden conventional equities.

Resilience Analysis - Response of Indices to a 1 S.D. RATE Shock

Table 4
Impulse Response Function (IRF)

Period	Response of LN_IDX	Response of LN_ISSI	Interpretation
1	0.000000	0.000000	Baseline (Initial Impact)
2	-0.012415	-0.004212	Initial Contraction
4	-0.028452	-0.008451	Nadir (Maximum Impact)
8	-0.015241	-0.001210	Recovery Phase
12	-0.005124	0.000142	ISSI Early Normalization
15	-0.001214	0.000512	JCI Delayed Recovery

The Impulse Response Function (IRF) analysis provides a dynamic simulation of the resilience of Sharia-compliant versus conventional equities when subjected to an unexpected one-standard-deviation shock in interest rates. The results demonstrate that while both indices exhibit a negative correlation with interest rate hikes, the magnitude and duration of the impact differ substantially. The Jakarta Composite Index (LN_IDX) suffers a more severe contraction, reaching its lowest point in Period 4 with a significant decline of -2.84%. In contrast, the Indonesia Sharia Stock Index (LN_ISSI) demonstrates superior stability, sustaining a much shallower maximum decline of only -0.84% during the same period. This indicates that the maximum impact of monetary shocks on

conventional equities is approximately three times greater than that on Sharia-compliant equities.

Furthermore, the recovery trajectory underscores a distinct disparity in structural resilience. ISSI exhibits a swifter mean-reversion process, effectively returning to its equilibrium level and entering positive territory by Period 12. Conversely, JCI remains in negative territory through Period 15, indicating a more prolonged state of market distress. This swifter normalization for ISSI confirms that the deleveraging constraints and the exclusion of interest-sensitive sectors inherent in Sharia-screening criteria not only mitigate the depth of price corrections but also facilitate a more agile market adjustment. These findings empirically validate the "safe haven" characteristic of Sharia-compliant stocks during periods of macroeconomic volatility and monetary tightening in the 2021–2025 observation window.

The Contribution of Interest Rates to Equity Index Volatility

Table 5
Variance Decomposition (FEVD)

Period	S.E.	% LN_IDX (due to RATE)	% LN_ISSI (due to RATE)
1	0.0124	0.00%	0.00%
5	0.0352	8.41%	2.14%
10	0.0541	18.52%	6.42%
20	0.0782	22.14%	8.12%

The Forecast Error Variance Decomposition (FEVD) analysis provides a quantitative measure of the relative importance of interest rate shocks in explaining the volatility of the two equity indices. The empirical results demonstrate a significant disparity in systemic risk exposure between conventional and Sharia-compliant equities. For the Jakarta Composite Index (LN_IDX), the contribution of interest rate shocks to its forecast error variance escalates significantly over time, reaching 22.14% by Period 20. This indicates that nearly a quarter of the total price volatility in conventional equities is directly attributable to fluctuations in monetary policy. This high sensitivity underscores the conventional market's vulnerability to changes in the cost of capital and liquidity shifts within the banking centric financial system.

In contrast, the Indonesia Sharia Stock Index (LN_ISSI) exhibits a much lower degree of volatility contribution from interest rate shocks, plateauing at only 8.12% in the long run. This notable difference suggests a structural decoupling of Sharia-compliant equities from the traditional interest-rate transmission channel. From a financial economics perspective, the lower variance contribution for ISSI confirms that its price dynamics are driven more by idiosyncratic factors such as real-sector fundamental performance and business-specific productivity rather than by exogenous monetary policy shifts.

These findings provide compelling evidence for the superior resilience of Sharia-compliant equities. The rigorous

financial screening criteria, which strictly limit the debt-to-asset ratio and exclude conventional financial institutions, effectively immunize Sharia-compliant firms against a substantial portion of the systemic volatility generated by interest rate fluctuations. Consequently, the FEVD results reinforce the argument that ISSI serves as a more stable investment vehicle during periods of macroeconomic instability, offering a significant risk-reduction benefit for portfolio managers and institutional investors compared to the more reactive conventional index.

Economic Analysis of Long-Run Equilibrium and Sensitivity

The empirical findings from the VECM long-run estimation reveal a significant negative elasticity of equity prices relative to interest rate shifts. While the negative direction confirms the Discount Rate Channel theory, the economic magnitude provides a deeper insight into the structural leverage shield. The JCI's higher sensitivity coefficient (-0.078) compared to the ISSI (-0.045) is not merely a statistical artifact but a reflection of the sectoral architecture of the indices. The JCI is heavily weighted by the conventional banking sector, which acts as the primary transmission line for monetary policy; thus, a rate hike immediately inflates the cost of funds and compresses interest margins. In contrast, the ISSI's "interest-free" sectoral composition and the 45% debt-to-asset cap create a structural "cushion." This suggests that Sharia equities operate on a "De-leveraged Valuation Model," where intrinsic value is more tethered to operational cash flows

than to the cost of debt, making the ISSI more resilient during the aggressive "higher-for-longer" cycle of 2021–2025.

Market Adjustment Process: IRF as a Measure of Informational Efficiency

The Impulse Response Function (IRF) analysis interprets the market's reaction as a dynamic adjustment process rather than a static state. The JCI's deeper and more prolonged drawdown (nadir at Period 4, recovery by Period 15) indicates a high degree of "Monetary Fragility." Economically, this suggests that conventional investors engage in a more drastic "Flight to Quality" when rates rise, rapidly reallocating capital toward fixed-income assets.

Conversely, the ISSI's swifter mean-reversion (normalization by Period 12) signifies higher "Structural Efficiency." Because Sharia-compliant firms are restricted from high-leverage speculative activities, their valuations are less sensitive to the "liquidity crunch" following a shock. The market adjusts faster to ISSI because the fundamental risk—primarily default risk arising from interest-rate spikes—is lower. Thus, the IRF results illustrate that Sharia screening acts as an informational filter, reducing the uncertainty period for investors and allowing for a more agile price discovery process compared to the JCI.

Theoretical Reflection: Safe Haven or Structural Dampener?

The Variance Decomposition (FEVD) results, showing that interest rates contribute 22.14% to JCI's volatility but only 8.12% to ISSI's, lead to a critical conceptual reflection: is the ISSI a "Safe Haven" or simply a "Low-Volatility Asset"? A true safe haven requires a negative correlation during market crashes. Our findings suggest that the ISSI does not completely decouple from the JCI; rather, it exhibits "Structural Dampening." Cointegration tests confirm that both indices are tethered to the same long-run equilibrium, refuting the extreme decoupling hypothesis. However, the ISSI's lower sensitivity confirms it serves as a "Systemic Risk Buffer."

This distinction is crucial for International Portfolio Diversification. While the ISSI cannot fully protect an investor from a total systemic collapse, its lower elasticity makes it a superior hedging instrument against monetary policy uncertainty. The theory of Sharia resilience holds most effectively during Interest-Rate Shocks because of the deleveraging effect, but it may be less effective during Exchange Rate Shocks (as shown by the similar, albeit slightly lower, sensitivity to USD/IDR), where all manufacturing-heavy firms—Sharia or not—face rising import costs.

Critical Evaluation of the Integration vs. Decoupling Debate

The results challenge the monolithic view of market integration. Although the indices are integrated (cointegrated),

their short-term error correction mechanisms are distinct. This implies that while the Indonesian capital market is efficient in the long run, Sharia equities offer a "Diversification Window" in the short and medium term. The Sharia screening mechanism effectively "filters" the banking sector's volatility, which is the heart of conventional market instability. Therefore, the ISSI's resilience is not a result of "religious preference" but an "Economic Selection Bias" toward firms with stronger balance sheets and lower financial risk. This confirms that under the high-volatility conditions of 2021–2025, Sharia-compliant equities provided a genuine valuation hedge, not by ignoring macroeconomic trends, but by limiting the transmission channels through which those trends could damage firm value.

E. CONCLUSION

This study confirms that the Indonesia Sharia Stock Index (ISSI) serves as a robust structural stabilizer within the Indonesian capital market, demonstrating superior resilience compared to the Jakarta Composite Index (JCI) during the high-volatility window of 2021–2025. The empirical evidence suggests that Sharia screening mechanisms do not merely fulfill religious compliance but act as a systemic risk filter. ISSI proved more resilient than JCI (2021–2025), with Sharia screening—specifically debt caps and bank exclusion—acting as a structural risk buffer. This 'deleveraging effect' dampened monetary shocks, facilitating shallower drawdowns and faster recovery.

Policy & Strategic Implications: Regulators (BI/OJK) should reposition the Sharia market as a 'financial stabilizer' and integrate it into macroprudential frameworks to reduce systemic fragility. For investors, the ISSI serves as a tactical hedge during hawkish cycles, offering superior drawdown management for low-volatility portfolios.

Limitations & Future Agenda: While limited by its Indonesian focus and the specific high-rate context of 2021–2025, this study paves the way for future research on global linkages (FFR shocks), sectoral granularity, and machine-learning-based resilience forecasting.

F. REFERENCES

Alhejaili, M. (2025). Harmonising derivatives with Shari'ah: ethical practices and regulatory insights. *International Journal of Islamic and Middle Eastern Finance and Management*.

Alnemer, M. (2024). *Macroeconomic determinants of aggregate stock prices evidence from developed and emerging countries*. RMIT University.

Carranza, E., Farole, T., Gentilini, U., Morgandi, M., Packard, T., Santos, I., & Weber, M. (2020). *Managing the employment impacts of the COVID-19 crisis: policy options for relief and restructuring*. Jobs Working Paper.

Fabozzi, F. J. (2025). *Capital markets: institutions, instruments, and risk management*. Mit Press.

Hassan, A., AlMaghaireh, A. I., & Islam, M. S. (2022). *Islamic financial markets and institutions*. Routledge.

Hu, G., Liu, S., Wu, G., Hu, P., Li, R., & Chen, L. (2023). Economic policy uncertainty, geopolitical risks, and the heterogeneity of commodity price fluctuations in China——an empirical study based on TVP-SV-VAR model. *Resources Policy*, *85*, 104009.

Hussein, Z. A., & Mohammed, M. J. (2023). Accuracy of Capital Asset Pricing Model and Arbitrage Pricing Theory in Predicting Stock Return. *Journal of Namibian Studies*, *34*.

Ichwanudin, W., Kambara, R., & Sanusi, F. (2023). Testing the Indonesian stock market arbitrage pricing model. *Jurnal Manajemen*, *27*(1), 86–102.

Mohammad Mir, S., & Shah, F. A. (2022). Does capital adequacy affect bank performance? A comparative study of select public and private sector banks in India. *DLSU business & economics review*, *31*(2), 4.

Nersisyan, Y., & Wray, L. R. (2022). What's causing accelerating inflation: pandemic or policy response? *Levy Economics Institute, Working Papers Series*, *1003*.

Rachmad, Y. E. (2024). Danantara and Indonesia's Investment Strategy: Policy, Impact, and Future Directions. *The United Nations Global Compact*.

Rachmad, Y. E. (2025). Security and Liquidity: Why Bank Emas is the Choice of Smart Investors. *United Nations Department of Global Communications*.

Schnabel, I. (2022). Monetary policy and the great volatility. *Speech by Isabel Schnabel, Member of the Executive*

Board of the ECB, at the Jackson Hole Economic Policy Symposium organised by the Federal Reserve Bank of Kansas City, Jackson Hole, Wyoming, *27*.

Sofilda, E., Hamzah, M. Z., & Ginting, A. M. (2022). Analysis of determining the financial inclusion index of composite, conventional and sharia banking in Indonesia. *Banks and Bank Systems*, *17*(1), 38.

Stiglitz, J. E., & Regmi, I. (2023). The causes of and responses to today's inflation. *Industrial and Corporate Change*, *32*(2), 336–385.

Tanin, T. I., Ahmad, A. U. F., & Muneeza, A. (2023). Shariah-compliant equities and Shariah screening: need for convergence of ethical screening of stocks with Shariah screening. *International Journal of Emerging Markets*, *18*(2), 296–315.

Ulum, K. M., & Ulum, M. K. (2023). Screening Standards in Sharia Capital Market Investor Legal Protection. *El-Mashlahah*, *13*(1), 77–91.

Watkins, J. S. (2020). Can There Be an Islamic Monetary Policy? In *Islamic Finance and Global Capitalism: An Alternative to the Market Economy* (hal. 257–304). Springer.

Yiming, W., Xun, L., Umair, M., & Aizhan, A. (2024). COVID-19 and the transformation of emerging economies: financialization, green bonds, and stock market volatility. *Resources Policy*, *92*, 104963.