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Stock Market Trading between Legal Formalities and Economic Substance: A Macro-Sharia Appraisal

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Abstract: This study examines stock market trading from a macro-sharia perspective by grounding normative evaluation in the empirical realities of contemporary financial markets. Using descriptive empirical analysis of selected stock market indices from developed and emerging economies over the period 2005–2025, the paper explores patterns of price volatility and market behavior that characterize modern stock market trading practices. The findings indicate that persistent volatility, sharp price fluctuations, and speculative dynamics often weaken the linkage between market prices and underlying economic fundamentals, particularly in emerging markets. Building on these empirical observations, the study reassesses stock market trading in light of Shariah principles and the broader objectives of Islamic law (*maqāṣid al-sharīa*), emphasizing the importance of incorporating systemic outcomes and real economic effects into Shariah evaluation. The paper contributes to the Islamic finance literature by highlighting the need to move beyond purely formal assessments toward a more context-sensitive, macro-level approach.
Keywords: Stocks trading; margin trading; sharia-compliant shares.

Abstrak: Penelitian ini mengkaji perdagangan pasar saham dari perspektif makro-syariah dengan mendasarkan evaluasi normatif pada realitas empiris pasar keuangan kontemporer. Dengan menggunakan analisis empiris deskriptif terhadap indeks pasar saham terpilih dari negara-negara maju dan berkembang selama periode 2005–2025, artikel ini mengeksplorasi pola volatilitas harga dan perilaku pasar yang menjadi ciri praktik perdagangan saham modern. Temuan menunjukkan bahwa volatilitas yang terus-menerus, fluktuasi harga yang tajam, dan dinamika spekulatif sering melemahkan hubungan antara harga pasar dan fundamental ekonomi yang mendasarinya, terutama di pasar negara berkembang. Berdasarkan pengamatan empiris ini, penelitian ini menilai kembali perdagangan pasar saham berdasarkan prinsip-prinsip syariah dan tujuan hukum Islam yang lebih luas (*maqāṣid al-syarīʿah*), dengan menekankan pentingnya memasukkan

hasil sistemik dan dampak ekonomi riil ke dalam evaluasi syariah. Makalah ini berkontribusi pada literatur keuangan Islam dengan menyoroti kebutuhan untuk melampaui penilaian formal semata menuju pendekatan yang lebih sensitif terhadap konteks dan berorientasi pada tingkat makro.
Kata Kunci: perdagangan saham; transaksi jual kosong; transaksi marjin; saham syariah.

Introduction

Shares are common, undivided, equal instruments representing ownership of the assets of a joint stock company, issued by the company to increase its capital, and traded on specific regulated financial markets.[1] Hence, shares are sold in two phases: firstly, in the primary market when they are issued by the company, to gain the necessary amount of liquidity for the company's operations or expansion, the seller being the company itself; and secondly, in the secondary market when the shares are traded after the first issuance, whereby the seller aims to profit. In either case, there seems to be no Shariah concern with dealing in shares, provided they verily represent the underlying assets of the company and that both the assets and the company's activities are Shariah-compliant.[2] However, when assessing permissibility, one needs to consider the full picture, including the market trading climate and economic effects. It is no secret that the global stock market has been hitting many traders hard, causing them tremendous, rapid losses. At the same time, it is well known that the sharia prohibits gambling-like activities as it, in essence, permits that which is beneficial, and prohibits that which is harmful, as well as that whose harms outweigh its benefits.[3]

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1 Anwar Puteh et al., "A Mini Review of Islamic Stock Market Literature," paper presented at 11th Annual International Conference on Industrial Engineering and Operations Management, March 7, 2021, https://doi.org/10.46254/AN11.20210615.

2 The Council of the International Islamic Fiqh Academy of the Organization of the Islamic Conference, "Financial Markets (Shares, Options, Commodities, and Credit Cards)," Jeddah, Kingdom of Saudi Arabia, May 14, 1992, https://iifa-aifi.org/en/32438.html; Idris Babatunde Adeyemi and Ömer Faruk Tekdoğan, "Understanding the Screening Criteria for Shariah-Compliant Stocks," *Adam Academy Journal of Social Sciences* 14, no. 2 (December 2024): 371–95, https://doi.org/10.31679/adamakademi.1415744.

3 Elsy Renie et al., "Tafriq Al-Halal 'An Al-Haram Theory In The Selection Of Sharia Stocks: The Comparative Study in The Sharia Capital Market in Indonesia and Malaysia," *Jurisdictie: Jurnal Hukum Dan Syariah* 13, no. 1 (July 2022): 128–42, https://doi.org/10.18860/j.v13i1.17044.

While the basic principle of share ownership is generally accepted when the underlying assets and activities are Shariah-compliant, juristic debate intensifies when trading practices generate excessive speculation, leverage, or artificial price distortions.[4] In its resolution on financial markets, the International Islamic Fiqh Academy (IIFA) states that purchasing stocks with interest-bearing loans is prohibited, and that selling what one does not own is invalid.[5] This directly pertains to margin trading and short selling. The Islamic Fiqh Council of Makkah also prohibits margin trading that involves interest or other financial benefits to the lender, based on the principle that a loan with commercial benefits constitutes *ribā*.[6] AAOIFI's standards also emphasize these prohibitions. Standard No. 21 on Financial Instruments and Standard No. 1 on Trading in Securities explicitly prohibit transactions involving excessive *gharar*, *ribā*-based leverage, or the sale of assets not owned.[7] These statements can be understood as a warning to be cautious of speculative behavior that could undermine market fairness and the real economy.

From here, several recent studies emphasize that legal resolutions in finance should not be limited to a micro-level framework. Hassan, Abozaid, and Uluyol state that the evaluation of various financial instruments should not focus solely on contract formalities but also on their impact on the financial system and wealth preservation.[8] Abozaid and Asyiqin further found that

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4 Mohammad Talha, Syed Mohammad Faisal, and Ahmad Khalid Khan, "Shariah Law in Commercial Banking and Stock Market: Recent Development, Challenges and Practices," *International Journal of Religion* 5, no. 6 (May 2024): 620–30, https://doi.org/10.61707/4brms430; Yuli Andriansyah, "Analysis of Fatwas by the National Sharia Board-Indonesian Council of Ulama on the Stock Market," *Millah: Journal of Religious Studies*, August 30, 2023, 525–52, https://doi.org/10.20885/millah.vol22.iss2.art9.

5 The Council of the International Islamic Fiqh Academy of the Organization of the Islamic Conference, "Financial Markets (Shares, Options, Commodities, and Credit Cards)."

6 Islamic Fiqh Council, "Resolution on Margin Trading," Makkah: Muslim World League, 2006.

7 AAOIFI, *Shariah Standards (Standard No. 1 and Standard No. 21)* (Bahrain: Accounting and Auditing Organization for Islamic Financial Institutions, n.d.); Kemala Dewi, Muhammad Fakhri, and Muhammad Albahi, "Getting to Know the Shariah Capital Market : Halal Investment in the Modern Era," *International Journal of Economics and Management Research* 3, no. 3 (2024): 399–406, https://doi.org/10.55606/ijemr.v3i3.443.

8 M. Kabir Hassan and Michael Mahlknecht, eds., *Islamic Capital Markets: Products and Strategies* (wiley, 2015), https://doi.org/10.1002/9781119206040; Abdulazeem Abozaid, "Maqasid-Based Analysis of Deferring Both Counter Values in Financial Transactions and Its Impact on Contemporary Applications التحليل المقاصـــدي لمســـألة تأجيل البدلين في المعاوضـــات وأثره في الحكم على تطبيقاتها المعاصـــرة," *Journal of King Abdulaziz University: Islamic Economics* 32, no. 3 (2019): 61–83; Burhan Uluyol, "Beyond Prohibitions: Unveiling the Hidden Dynamics of Islamic Economics and Finance," *Journal of Islamic Monetary Economics and Finance* 12, no. 1 (February 2026): 81–106, https://doi.org/10.21098/jimf.v12i1.2781.

several stock market instruments, even when engineered as much as possible, still contain forbidden elements such as implicit interest or contractual injustices.[9] Rahmani and Nordin also found, from the *maqāṣid* perspective, that various derivative contract structures are not compliant because they contain excessive elements of uncertainty and detachment from productive economic activities.[10] Nienhaus, Kamali, and Lubis urge that the contemporary Islamic financial system should promote the values of justice, stability, and real value creation over speculative economic activities. Although in principle there is no problem with trading stocks, various speculative practices in secondary markets, especially those involving leverage, short selling, and derivatives, raise concerns from the perspective of *maqāṣid* regarding wealth protection, prevention of harm, and economic justice. [11]

Furthermore, several studies have highlighted the volatility and speculative dynamics of stock markets, particularly in emerging markets. Danielsson et al demonstrated how prolonged periods of low volatility lead to excessive risk-taking, which ultimately triggers financial instability. The historical analysis they presented shows that crises are often preceded by a period of volatility suppression.[12] Karanasos and Yfanti note that volatility in emerging markets is strongly influenced by macroeconomic fundamentals and global instability, with a counter-cyclical pattern. In times of crisis, volatility

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[9] Abdulazeem Abozaid, "Is Any Benefit from a Loan Prohibited in Islam," *International Journal of Business and Management Studies* (USA) 7, no. 2 (2018); Istianah Zainal Asyiqin and Muhammad Daffa Auliarizky Onielda, "Governance, Business, Legal, and Technology: Strategies for Addressing Volatility and Gharar in Sharia Capital Markets," *Jurnal Hukum Novelty* 16, no. 1 (2025): 158–73, https://doi.org/10.26555/jhn.v16i1.30505.

[10] Ataollah Rahmani and Alija Avdukic, "A Maqasid-Ul-Shari'ah Analysis of the Permissible Futures Trading in Islamic Financial Markets," *European Journal of Islamic Finance* 9, no. 3 (December 2022): 1–13, https://doi.org/10.13135/2421-2172/6800; Nadhirah Nordin et al., "The Islamic Ethical Principles in Commodity Derivatives Contracts," *Journal of Legal, Ethical and Regulatory Issues* 22, no. Special Issue 1 (2019): 1–5.

[11] Volker Nienhaus, "Islamic Finance Ethics and Shari'ah Law in the Aftermath of the Crisis: Concept and Practice of Shari'ah Compliant Finance," *Ethical Perspectives* 18, no. 4 (2011): 591–623, https://doi.org/10.2143/EP.18.4.2141849; Mohammad Hashim Kamali, "Ethics and Finance: Perspectives of the Shari'ah and Its Higher Objectives (Maqasid)," *ICR Journal* 3, no. 4 (July 2012): 618–36, https://doi.org/10.52282/icr.v3i4.508; Mukhlis Lubis et al., "Reformulation of Islamic Stock Law: The Application of Taṣarrufāt al-Rasūl and Maqāṣid al-Syarī'ah to Develop a Dynamic and Sustainable Islamic Capital Market in Indonesia," *Journal of Posthumanism* 5, no. 3 (April 2025): 1344–56, https://doi.org/10.63332/joph.v5i3.913.

[12] Jon Danielsson, Marcela Valenzuela, and Ilknur Zer, "Learning from History: Volatility and Financial Crises," *The Review of Financial Studies* 31, no. 7 (July 2018): 2774–805, https://doi.org/10.1093/rfs/hhy049.

increases significantly.[13] Kısacıkoğlu, in his research, shows that uncertainty during the pandemic significantly affects risk premiums and equity volatility for emerging markets.[14] Similarly, Baker, Bloom, and Davis noted that economic policy uncertainty is strongly correlated with fluctuations in the stock market.[15] All of this confirms that the stock market, especially in high-volatility environments, will be largely dominated by speculative momentum, leverage-driven amplification, and behavioral patterns resembling gambling.

This research aims to examine stock market trading from a macro-sharia perspective by integrating empirical evidence on market volatility with normative Shariah evaluation. This paper employs a descriptive empirical approach to examine stock market behaviors over the period 2005–2025. This research analyses several stock market indices from developed and emerging economies to examine price movement patterns and volatility. The empirical data generated will serve as the basis for *maqāṣid*-based macro-Shariah analysis.[16] This research does not aim to establish causal relationships in econometrics but rather to document market dynamics relevant to the analysis. This research argues that the persistent high volatility and speculative trading dynamics underscore the importance of moving from mere micro-level contractual permissibility to a broader assessment grounded in systemic outcomes and *maqāṣid al-sharīa*.

Empirical Assessment of Stock Market Volatility

This section examines stock market price behavior and volatility patterns over the period 2005–2025. The analysis utilizes the monthly price fluctuations to evaluate the proposition that stock market trading, particularly in high-

[13] M. Karanasos, S. Yfanti, and J. Hunter, "Emerging Stock Market Volatility and Economic Fundamentals: The Importance of US Uncertainty Spillovers, Financial and Health Crises," *Annals of Operations Research* 313, no. 2 (June 2022): 1077–116, https://doi.org/10.1007/s10479-021-04042-y.

[14] Burçin Kısacıkoğlu, "Emerging Market Riskiness and Uncertainty Spillovers: Evidence from the COVID-19 Pandemic," *Central Bank Review* 25, no. 4 (December 2025): 100221, https://doi.org/10.1016/j.cbrev.2025.100221.

[15] Scott R. Baker, Nicholas Bloom, and Steven J. Davis, "Measuring Economic Policy Uncertainty*," *The Quarterly Journal of Economics* 131, no. 4 (November 2016): 1593–636, https://doi.org/10.1093/qje/qjw024.

[16] Muhamad R. Rizaldy and Habib Ahmed, "Islamic Legal Methodologies and Shariah Screening Standards: Application in the Indonesian Stock Market," *Thunderbird International Business Review* 61, no. 5 (September 2019): 793–805, https://doi.org/10.1002/tie.22042.

volatility segments, exhibits characteristics increasingly synonymous with gambling, defined by high, unpredictable financial risk and reliance on chance.

The hypothesis asserts that significant, erratic price variations in equity markets have made stock trading essentially comparable to speculative gambling. This research utilizes the specified measures (shown in Table 1), namely Annualized Volatility (σann) and Maximum Monthly Fluctuation (MMG/MML), to measure this unpredictability and the likelihood of immediate, significant financial repercussions.

Table 1. Monthly Price Fluctuations (2005-2025)[17]

Index		AMF	MMG	MML	SDF	AV	BV
D	Hang Seng	4.83%	26.62%	-22.47%	4.447%	.227	.320
D	NASDAQ Composite	4.19%	15.45%	-17.73%	3.216%	.179	.795
D	Nikkei 225	4.10%	15.04%	-23.83%	3.434%	.184	.562
D	DAX	3.99%	16.76%	-19.19%	3.318%	.178	.683
D	CAC 40	3.76%	20.12%	-17.21%	3.013%	.166	.718
D	Dow Jones Islamic Market World	3.57%	12.19%	-18.23%	2.928%	.153	.937
D	MSCI World	3.49%	12.66%	-18.99%	2.888%	.155	.944
D	S&P 500	3.44%	12.68%	-16.94%	2.782%	.151	1.000
D	Dow Jones Industrial Average	3.27%	13.95%	-14.06%	2.743%	.146	.987
D	FTSE 100	2.93%	12.35%	-13.81%	2.352%	.130	.871
E	BIST 100	6.53%	25.31%	-23.12%	5.083%	.280	.228
E	EGX 30	6.47%	36.58%	-33.19%	5.859%	.299	.087
E	DFM General	5.50%	24.73%	-33.22%	5.570%	.271	.229
E	Tadawul All Share	5.00%	19.60%	-25.75%	4.470%	.232	.270
E	Karachi 100	4.93%	19.78%	-36.16%	4.585%	.227	.223
E	QE General	4.51%	24.58%	-25.62%	4.564%	.222	.304
E	Jakarta Stock Exchange Composite Index	3.82%	20.13%	-31.42%	3.700%	.181	.431
E	Moroccan All Shares	3.16%	20.13%	-20.85%	2.873%	.146	.183

[17] *Note*: D: Developed (Global) Market, E: Emerging Market, AMF: Average Monthly Fluctuation (%), MMG: Maximum Monthly Gain (%), MML: Maximum Monthly Loss (%), SDF: Standard Deviation of Fluctuation (%), AV: Annualized Volatility (σ_{ann}), BV: Beta Value (vs S&P 500)

E	FTSE Malaysia KLCI	2.54%	13.55%	-15.22%	2.267%	.118	.643
E	Bahrain All Share	2.38%	9.69%	-18.66%	2.379%	.115	.465

Source: Compiled from various sources.[18]

Structural Divergence in Core Price Unpredictability

The primary indicator of market capriciousness, the Average Monthly Fluctuation (AMF), reveals a clear, persistent stratification between Developed (D) and Emerging (E) markets. The median AMF for the Emerging Markets cluster substantially surpasses that of the Developed Markets, confirming a state of chronic, elevated price unpredictability. The EGX 30 (6.47%) and the BIST 100 (6.53%) demonstrate that, on average, these indices experience monthly price swings that are nearly double the magnitude of the S&P 500 (3.44%).

This finding suggests that participation in these segments entails structural exposure to constant, high-magnitude dispersion around the mean, which serves as a powerful attractor for speculative capital seeking thrills and short-term variance rather than long-term value. The associated Standard Deviation of Fluctuation (SDF) further validates this structural instability, with the EGX 30 (5.859%) and BIST 100 (5.083%) exhibiting significantly wider distributions of fluctuation magnitudes than the &P 500 (2.782%), indicating less reliable price-formation predictability.

[18] Hang Seng Indexes Company Limited, "Hang Seng Index — Historical Data," 2025, https://www.hsi.com.hk/; Nasdaq, Inc., "NASDAQ Composite Index — Historical Data," 2025, https://www.nasdaq.com/market-activity/index/comp; Nikkei Inc., "Nikkei 225 Index — Historical Data," 2025, https://indexes.nikkei.co.jp/; Deutsche Börse Group, "DAX Index — Historical Data," 2025, https://www.dax-indices.com/; Euronext, "CAC 40 Index — Historical Data," 2025, https://live.euronext.com/; S&P Dow Jones Indices, "Dow Jones Islamic Market World Index — Historical Data," 2025, 500, https://www.spglobal.com/spdji/; S&P Dow Jones Indices, "Dow Jones Industrial Average — Historical Data," 2025, https://www.spglobal.com/spdji/; MSCI Inc., "MSCI World Index — Historical Data," 2025, https://www.msci.com/; FTSE Russell, "FTSE 100 Index — Historical Data," 2025, https://www.ftserussell.com/; FTSE Russell, "FTSE Malaysia KLCI Index — Historical Data," 2025, https://www.ftserussell.com/; Borsa Istanbul, "BIST 100 Index — Historical Data," 2025, https://www.borsaistanbul.com/; Egyptian Exchange, "EGX 30 Index — Historical Data," 2025, https://www.egx.com.eg/; Dubai Financial Market, "DFM General Index — Historical Data," 2025, https://www.dfm.ae/; Saudi Exchange (Tadawul), "Tadawul All Share Index (TASI) — Historical Data," 2025, https://www.saudiexchange.sa/; Pakistan Stock Exchange, "Karachi 100 Index — Historical Data," 2025, https://www.psx.com.pk/; Qatar Stock Exchange, "QE Index — Historical Data," 2025, https://www.qe.com.qa/; Indonesia Stock Exchange, "Jakarta Composite Index — Historical Data," 2025, https://www.idx.co.id/; Casablanca Stock Exchange, "MASI Index — Historical Data," 2025, https://www.casablanca-bourse.com/; Bahrain Bourse, "Bahrain All Share Index — Historical Data," 2025, https://www.bahrainbourse.com/.

On the contrary, developed markets generally exhibit more contained AMF levels, clustered between 2.93% (FTSE 100) and 4.19% (NASDAQ Composite). This containment suggests a more regulated and fundamentally stable environment during non-crisis periods. However, the presence of significantly high-range indices, notably the Hang Seng (4.83%), indicates that major regional developed or near-developed markets remain susceptible to heightened structural unpredictability driven by regional dynamics or interconnected systemic risks.

Volatility, measured by the Annualized Volatility (AV), can serve as a proxy for market uncertainty. The standard deviation of returns quantifies the expected range of price movements and reflects the potential divergence from the mean return. The statistics demonstrate that high-volatility indices, such as the EGX 30 ($\sigma_{ann} \approx 30\%$) and BIST 100 ($\sigma_{ann} \approx 28\%$), exhibit a significantly larger σ_{ann} than the US benchmark, the S&P 500 ($\sigma_{ann} \approx 15\%$). This means the expected price dispersion for these indices is nearly twice that of stable developed markets. This high degree of quantified uncertainty diminishes the efficacy of fundamental valuation models, forcing investment decisions to rely heavily on technical analysis and speculative momentum – a behavioral pattern analogous to wagering on price direction rather than underlying value.

1. The Binary Nature of Financial Outcomes: Maximum Monthly Fluctuation

A critical empirical linkage between high-volatility trading and gambling is the magnitude and speed of financial outcomes. Gambling involves the potential for quick financial gains or losses. The Maximum Monthly Gain (MMG) and Maximum Monthly Loss (MML) metrics directly quantify this high-stakes environment. That is, the most direct evidence supporting the "gamblification" thesis lies in the analysis of the maximum monthly extremes, which define the "lottery effect" of short-term trading. Speculation is fundamentally distinguished from investment by its focus on generating profit from short-term, high-risk price movements, without regard for an asset's fundamental value.[19]

The Maximum Monthly Loss (MML) figures define the scale of sudden, catastrophic loss potential that is highly analogous to high-stakes gambling.

[19] Thafar M. Alhajri and Abdullah Alshebli, "The Development of the Stock Exchanges in Saudi Arabia, Kuwait and Qatar from a Legal Perspective," *Journal of Law and Sustainable Development* 11, no. 12 (December 2023): e2379–e2379, https://doi.org/10.55908/sdgs.v11i12.2379.

The Karachi 100 recorded the most severe single-month collapse at -36.16%. The DFM General (-33.22%) and EGX 30 (-33.19%) also registered single-month losses exceeding one-third of their previous value. Even the relatively lower AMF Jakarta Stock Exchange Composite Index fell 31.42%. These losses confirm that structural vulnerabilities and localized crises can generate price velocity that exceeds the risk tolerance of disciplined investment, transforming market participation into an extreme downside bet.

In line with losses, the Maximum Monthly Gain (MMG) provides the reward structure that motivates speculative behavior. EGX 30 recorded the highest single-month gain at 36.58%. The Hang Seng (26.62%) and BIST 100 (25.31%) also show massive short-term upside potential. The coexistence of +/- 30% monthly swings across multiple markets provides the high event frequency and reward skew that the academic literature explicitly links to addictive trading behaviors, overconfidence, and thrill-seeking.

2. Volatility and Market Interconnectedness (Beta Analysis)

The Beta Value (BV), measured against the S&P 500 (BV = 1.000), reveals the complex sources of unpredictability. High correlation and amplification are evident in Developed Markets. Indices like the Dow Jones Industrial Average (.987) and MSCI World (.944) move closely with the S&P 500. This implies that volatility in these large markets is deeply systemic, meaning that global crises or shocks spread rapidly and exacerbate volatility through interconnected feedback loops.

Meanwhile, idiosyncratic, extreme fluctuations occur in Emerging Markets. Notably, the indices exhibiting the highest AMF and MML also possess some of the lowest Beta scores (e.g., EGX 30 at .087, BIST 100 at .228, Karachi 100 at .223). This low correlation indicates that their extreme volatility is often driven by highly localized, country-specific factors, such as political events or regional economic crises, rather than global systemic risk. This localized unpredictability is arguably more dangerous for foreign investors, as their exposure is driven by non-diversifiable regional chaos that is extremely difficult for outsiders to forecast. In these segments, portfolio diversification offers minimal protection, and unique, hard-to-forecast local factors drive price movements. This lack of predictable correlation, combined with high σann, reinforces the notion that trading in these volatile assets becomes less

about informed investment and more about speculative betting on immediate, random local outcomes.

In summary, the data confirm that stock markets, particularly in high-growth regions, are characterized by price fluctuations so intense – both in frequency (AMF) and extremity (MMG/MML) – that they meet the quantitative criteria for a speculative, gambling-like financial instrument. The market rewards luck and appetite for extreme risk over measured, fundamental analysis.

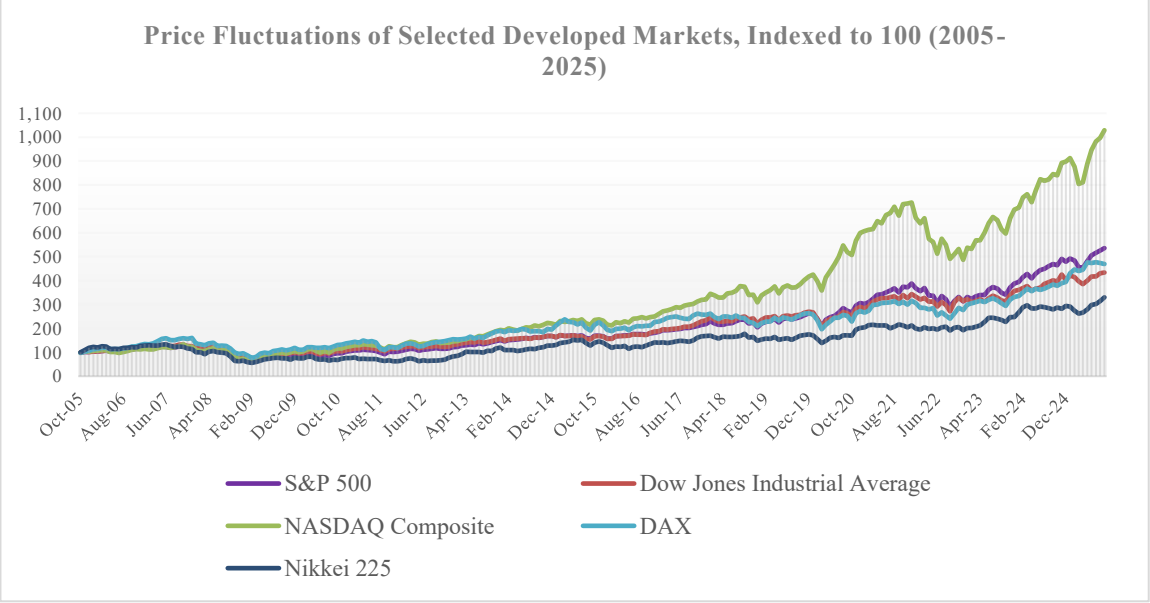
Comparative Fluctuations in Developed and Emerging Markets

1. Developed Markets Price Fluctuations

The chart in

Figure **1** displays the relative performance of five major Developed Market indices from September 2005 to September 2025. To allow for meaningful comparisons of growth and volatility, the indices have been normalized (rebased) to 100 at the start date. The chart reveals the US market dominance. The NASDAQ Composite and the S&P 500 show the highest overall growth and are the clear leaders, ending the period with index values well above 400 (representing gains of over 300% since the start date). This reflects the strong performance and stability of US equity markets over the past two decades.

Figure 1. Price Fluctuations of Selected Developed Markets (2005-2025)



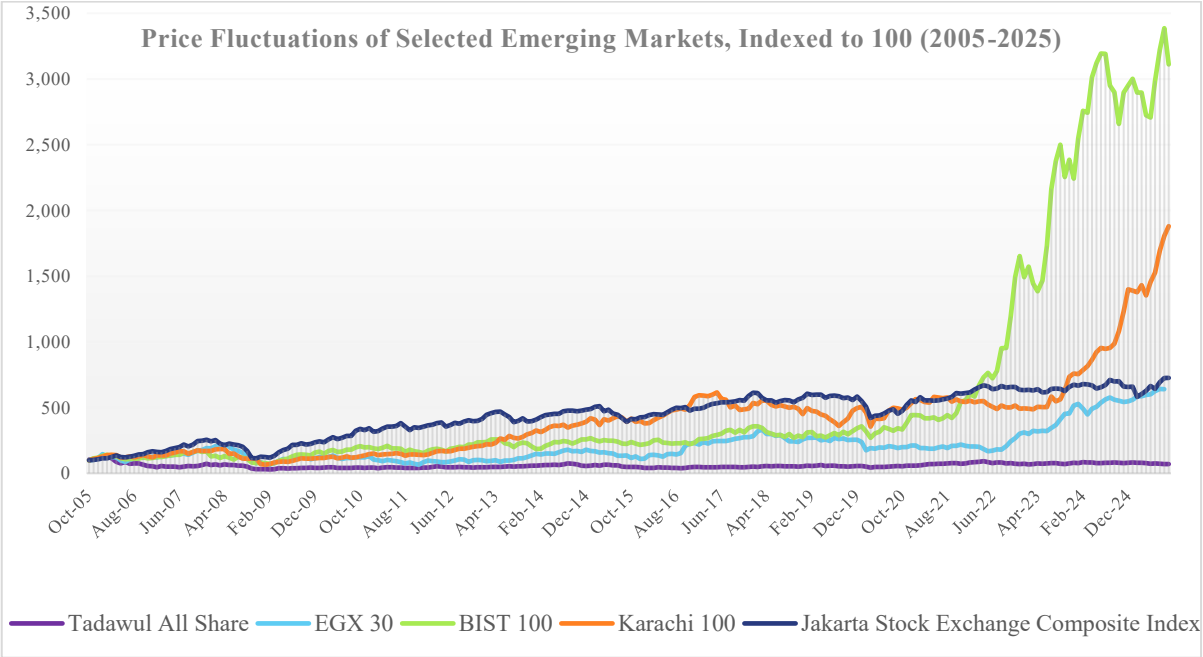
The major developed market indices display distinct yet broadly upward growth trajectories. The NASDAQ Composite records the steepest expansion, accelerating markedly after 2012 and especially post-2020, reflecting its concentration in technology-driven firms. The S&P 500 shows consistent, steady growth, reinforcing its role as a global benchmark, while the DAX and Dow Jones Industrial Average follow similar, robust upward trends, albeit at a slower pace. The Nikkei 225 exhibits greater early volatility but stabilizes around 2012, achieving solid yet comparatively lower growth than its U.S. counterparts. In terms of resilience, all indices experienced sharp declines during the 2008–2009 financial crisis, with the NASDAQ and S&P 500 recovering more rapidly. A similar pattern is observed after the early 2020 pandemic shock, where all indices rebounded strongly, driven by expansive monetary and fiscal stimulus.

In summary, the chart visually confirms the lower volatility (σ_{ann}) reported for these indices; the lines generally move closer together and show smoother long-term trends than the emerging markets chart (which showed more extreme, singular spikes, such as the BIST 100). Their Beta values (close to 1.0 for US indices) indicate that their large movements are highly correlated and predictable relative to one another, resulting in less idiosyncratic risk than the independent volatility of emerging markets.

2. Emerging Markets Price Fluctuations

The chart in Figure 2 displays the relative performance of five representative Emerging Market indices from September 2005 to September 2025, with all indices normalized (rebased) to a starting value of 100. The most striking feature of this chart is the high degree of divergence and volatility among the indices, which strongly correlates with their high calculated Annualized Volatility (σ_{ann}).

Figure 2. Price Fluctuations of Selected Emerging Markets (2005-2025)



The observed indices reveal a clear stratification in growth and volatility patterns across emerging markets. The Karachi 100 and BIST 100 emerge as high-growth yet highly volatile leaders, reaching the largest peaks while exhibiting pronounced cycles of sharp spikes and deep corrections. This instability is particularly evident in the BIST 100 during the 2018–2022 period, reflecting underlying domestic economic and political turbulence, while the Karachi 100 similarly demonstrates dramatic rises followed by abrupt declines, characteristic of markets driven by localized capital flows and limited structural maturity. In contrast, the EGX 30 and the Jakarta Composite Index display more sustained, albeit still volatile, upward trajectories, with considerable long-term growth absent the extreme fluctuations seen in the leading indices. However, the EGX 30 shows a notable late-period drop and recovery. Meanwhile, the *tadawul* All Share index is the weakest performer, experiencing an early surge and collapse during the 2008 crisis, followed by a prolonged phase of subdued, relatively flat performance before transitioning into a modest upward trend, indicating comparatively limited growth momentum.

In conclusion, the visual evidence confirms that Emerging Markets are not a homogeneous group. While some, like the Karachi 100 and BIST 100, offered the highest potential returns, they demanded a much higher tolerance

for uncertainty and quick losses – the elements that make volatility analogous to gambling. Others, like the Tadawul All Share, showed a performance profile closer to some developed markets but with slower growth.

Sharia Evaluation of Stock Market Trading in Light of Empirical Findings

The empirical assessment provides robust quantitative support for the hypothesis that participation in certain high-volatile segments of the stock market has functionally converged with speculative wagering. This transformation is evidenced by the convergence of financial volatility metrics with the defining characteristics of gambling: reliance on chance, high-stakes outcomes, and pervasive uncertainty.[20]

Firstly, structural price unpredictability is chronic and quantified by elevated σ_{ann} (Annualized Volatility). Indices such as the EGX 30 ($\sigma_{ann}\approx30\%$) and BIST 100 ($\sigma_{ann}\approx28\%$) exhibit price dispersion nearly double that of the S&P 500 ($\sigma_{ann}\approx15\%$). This chronic uncertainty fundamentally diminishes the predictive power of fundamental analysis, compelling participants toward momentum trading and technical speculation – a reliance on directional bets analogous to chance.

Secondly, the analysis of the Maximum Monthly Fluctuation (MMG/MML) confirms the presence of a binary, high-stakes financial architecture. The co-existence of catastrophic downside potential (e.g., Karachi 100 MML of −36.16%) and highly skewed upside potential (e.g., EGX 30 MMG of +36.58%) within a single month defines a "lottery effect". This magnitude of rapid, non-linear change prioritizes the short-term, high-leverage thrill of a wager over the measured compounding of an investment, satisfying the quantitative criteria for a financial instrument dominated by the potential for quick, extreme gains or losses.

Finally, the Beta Value (BV) reveals the source of this risk: extreme volatility in segments like the EGX 30 ($\beta\approx0.087$) is overwhelmingly idiosyncratic. This near-zero correlation with global systemic risk suggests that price formation is dictated by highly localized, often non-diversifiable political or regional crises, rendering an investor's exposure a non-

[20] Muhamad Nafik Hadi Ryandono et al., "Stock Market Valuation in Sharia Compliance Lens: An Evaluation of the Intrinsic Value of Sharia-Compliant Stocks," *Journal of Posthumanism* 5, no. 2 (April 2025): 1248–65, https://doi.org/10.63332/joph.v5i2.500.

forecastable bet on regional chaos rather than a calculated position on global economic principles.

In sum, the empirical data confirm that while developed markets maintain relatively contained volatility, the most volatile global segments are defined by price fluctuations so intense – both in frequency (AMF) and extremity (MMG/MML) – that the dominant reward mechanism is luck and appetite for extreme risk. This market profile validates the assertion that, for these segments, trading has moved beyond investment and into the domain of high-stakes financial speculation.[21] From a macro *maqāṣid* perspective, it is important to weigh the benefits and harms of stock trading, because Sharia permits only that which is beneficial and prohibits that which is harmful, and that whose harms outweigh its benefits, as in the case of alcohol in al-Baqarah:219.

1. Economic Benefits and Harms of Trading in Shares

Trading in shares in both (primary and secondary) markets is perceived to have numerous benefits. To the issuing companies, shares offer the following benefits to them and to the economy in general:

- They help companies start up and expand without borrowing, while borrowing comes at a high cost, as the loan must be repaid regardless of the company's performance.
- Offering shares for subscription secures more money than could be obtained from financial institutions.
- Shares help companies grow and gain global recognition, as shares may be subscribed to by investors from all over the globe.
- The existence of joint-stock companies may direct surplus funds towards useful investments, ultimately benefiting the economy and all stakeholders.

On the other hand, to the shareholder, the purchase of shares is an investment tool characterized by the following advantages:

- Shares represent an international investment tool that extends beyond an investor's country of residence, providing the necessary diversity to reduce risk and stabilize income.

[21] Moh Asra, "Stock in the Sharia Economic Perspective," *Review of Islamic Studies* 2, no. 1 (January 2023): 21–26, https://doi.org/10.35316/ris.v2i1.471.

- Investors may acquire shares to retain them and benefit from their dividends, or to trade in them and achieve quick gains.
- They are within the reach of all; one does not need large sums of money to invest in them.
- Shares represent ownership of the underlying assets, allowing their holders to earn from increases in those assets' value and to reduce investment risk.
- They can be easily liquidated by selling them in the financial markets.
- Individual investors may become shareholders in major companies across different sectors and benefit from the profits they generate.

Regarding the harms, in principle, primary stock markets should not harm the economy, companies, or individuals, because primary markets create partnerships between companies and share buyers, increasing the capital available for the benefit of all. As for the secondary market, the absence of the necessary regulatory and organizational parameters in some countries, as well as certain market practices, may result in the following economic harms:

- Secondary markets may harm primary markets by encouraging shareholders to sell their shares and speculate on their prices, leading to fewer people subscribing to shares or buying them [as an investment] for cyclical returns.
- Stock markets cause great harm to speculators, enriching some while impoverishing many others through rapid money transfers.[22]
- Stock markets do not benefit the economy after the issuance of shares, because the profits from speculation go into speculators' pockets rather than the issuing companies'.
- The company does not benefit from increases in the value of its shares resulting from trading, unless it issues new shares at higher prices. However, issuing new shares can lead to a decline in share prices and shareholders' profits.[23]
- Companies might be harmed by a fall in the value of their shares driven by speculation, as this may affect their reputation and people's trust in them, especially if negative rumors from speculators accompany it.

[22] Seifi and Abozaid, *The Economic Harms of Stock Trading* (Qatar Foundation, 2015).
[23] Z. Al-Kutubi, *Financial Markets* (Beirut: Dar al-Karama, 2019), 114.

- The temptation of fast profits and tax-free investment in some countries leads many people to turn away from real economic projects and invest instead in the stock market.
- Shareholders may not care about the company's actual performance, even though they are joint owners, because, in their eyes, the shares in their hands are no more than a ticket for speculation to achieve quick profits. In some cases, this may result in poor company performance and lower productivity due to a lack of accountability.
- Most shareholders lack the basic technical knowledge or experience to trade shares, making them prey to those with experience and knowledge, who are usually foreign speculators. Some studies show that only about 1% of investors in the Arabian Gulf markets have basic technical trading experience.[24]
- The stock market has contributed to the outflow of wealth from countries with nascent stock markets to foreign countries. Studies and data show that domestic stock markets, particularly in the Arabian Gulf, are largely driven by the activities of foreign investors, usually representatives of large brokerage companies, who speculate on shares to earn profits and transfer them to their countries. This also affects the country's foreign currency reserves, because the huge profits earned by foreigners are transferred to their home countries in foreign currency.[25]
- Volatility of profits of companies investing in shares: Financial firms value stock portfolios at current market prices, yet these valuations may not reflect actual realized gains or losses, as prices can change sharply before sale. This mismatch often stems from speculative price distortions in secondary markets.

2. Structural Drivers of Harm in Stock Market Trading

In addition to the above-mentioned undeniable harms of trading in the stock market, which should be considered in its Shariah appraisal, the stock market also involves practices that should be taken into account when judging it from

[24] Seifi and Abozaid, *The Economic Harms of Stock Trading*, 13.

[25] Seifi and Abozaid, 13–14; Bagas Heradhyaksa et al., "Indonesia Sharia Stock Investment During Covid-19: Based on Islamic Economic Law Review," *Jurnal IUS Kajian Hukum Dan Keadilan* 11, no. 3 (December 2023): 512–27, https://doi.org/10.29303/ius.v11i3.1066.

a Shariah perspective, despite its permissibility in essence. These practices include:

a. Manipulation

Stock markets are subject to various forms of manipulation that may harm investors, such as speculation on a share by trading it repeatedly within a short period to give the impression that its price is increasing, thereby prompting investors to demand it.[26] After investors buy it, speculators stop trading it, causing the price to fall back to its original level. They buy it and then sell it after it recovers its original value.[27] Second, market players may suddenly buy a large number of shares over a short period and then sell them all at a low price, causing their price to fall and harming those who previously bought the shares. Those harmed sell their shares in fear of further price declines, and market players seek to seize them at such low prices.

Third, manipulation of market information through selective disclosure or the spread of false rumors about companies' financial positions and future forecasts to influence prices in ways that suit market players, whether up or down.[28] Fourth, specific shares are traded between multiple accounts of a single owner to give the impression of high circulation, thereby increasing demand and driving prices higher. Manipulative practices such as the above cause arbitrary volatility of share prices and lead to artificial pricing of shares. As such, they are akin to *najsh* (a form of impermissible price manipulation); the one who inflates the prices (*nājish*) does so to trap the buyer or seller - the buyer pays a higher price or the seller receıves a lower price.[29]

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[26] Zulkarnaini Umar et al., "Syariah Stocks: A Normative Analysis of Islamic Law and Investment Practices In Indonesia," *Kanun Jurnal Ilmu Hukum* 26, no. 2 (August 2024): 317–36, https://doi.org/10.24815/kanun.v26i2.34321.

[27] Rafic Yunus Al-Masri, "المضاربة على الأسعار بين المؤيدين والمعارضين (Speculation between Proponents and Opponents)," SSRN Scholarly Paper no. 3093490 (Rochester, NY: Social Science Research Network, December 27, 2017), 65, https://papers.ssrn.com/abstract=3093490.

[28] AbdulRahim Al-Saati, "المضاربة والقمار في الأسواق المالية المعاصرة: تحليل اقتصادي وشرعي (Speculation and Gambling in Financial Markets: Economic and Legal Analysis)," SSRN Scholarly Paper no. 3071295 (Rochester, NY: Social Science Research Network, 2007), https://papers.ssrn.com/abstract=3071295.

[29] Mufīdah ʿAbd al-Wahhāb Muḥammad Ibrāhīm, "Al-Ṣuwar al-Muʿāṣirah li-l-Najsh fī al-Fiqh al-Islāmī," *Majallat Kullīyat al-Sharīʿah wa al-Qānūn bi-Tafahna al-Ashrāf – Daqahliyyah* 21, no. 4 (January 2019): 2607–72, https://doi.org/10.21608/jfslt.2019.64161.

b. Short Selling

Short selling is another practice that contributes to the volatility of the stock market and has its own high risks. It refers to a sale of shares that the seller does not originally own but borrows through a broker to return them at a certain future time.

The short-selling mechanism involves different Shariah issues. The most important are: i) soundness of loaning and borrowing shares, and ii) the commission (interest) paid on the loan. *Firstly*, shares are not considered a valid object for a loan because a loan contract requires the return of a similar object, which is not possible, as a share represents a common portion of a company's assets, which are constantly changing. Hence, the borrower is unable to return what is similar to what he borrowed.[30] *Secondly*, brokers, acting on behalf of shareowners, lend shares to short sellers on an interest basis, typically charging around 8% of the share value while passing only a small portion (e.g., 2%) to the owners and retaining the remainder. They also earn brokerage fees from subsequent transactions and assume responsibility for returning the shares. As this arrangement entails a loan with interest, it constitutes *ribā*, rendering conventional short selling impermissible.[31]

Some attempts have been made to justify the practice of short selling using the concept of *ʻurbūn*.[32] To address the impermissibility of short selling due to interest, some propose restructuring it through an *ʿurbūn* sale, whereby the short seller pays *ʿurbūn* in place of interest. In this arrangement, the shares are acquired on an *ʿurbūn* basis, then sold, later

[30] AAOIFI Shariah standard No.21 (3/9) prohibits loaning shares.

[31] AAOIFI Shariah standard No.21 (3/6) prohibits short selling in view of the said considerations.

[32] *ʻUrbūn* specifically refers to the amount of money paid by the buyer to reserve the right of revoking the sale contract. If revoked, the *ʻurbūn* amount is forfeited, but if not, the *ʻurbūn* amount is considered as part of the price. *ʻUrbūn* was deemed a valid sale contract by the Hanbalis only and not by the remaining schools of Islamic law. Ibn Qudamah, *Al-Mughni* (Dar al-Fikr, 1404), vol. 6:331; Hasan Hasan and Sarfaraz Dawar Khan, "replication of short selling in islamic finance," *Al-Shajarah Journal of the International Institute of Islamic Thought and Civilisation* (ISTAC), ahead of print, 2015, https://doi.org/10.31436/shajarah.v0i0.335; Also see: Imtiaz Mohammad Sifat and Azhar Mohamad, "Selling Short as Ijarah with Istihsan and Its Ethical Implication," *Arab Law Quarterly* 30, no. 4 (2016): 357–77, https://doi.org/10.1163/15730255-12341324.

repurchased, and returned to the broker, while the original owner retains the ʿ*urbūn* in accordance with its contractual rules.[33]

Indeed, the invalidity of this structure is obvious from various considerations:

- The broker is not the owner of the shares such that he can sell them (on ʻ*urbūn* basis), and he is not authorized to sell them, but to loan them.
- The short seller does not return the same shares, while the ʻ*urbūn* sale requires that the buyer return the same sold item when exercising his option to return.
- The buyer in ʻ*urbūn*, by selling the item of sale (in this case, shares), gives a clear indication of concluding the contract. According to ʻ*urbūn* rules, once the contract is concluded, the ʻ*urbūn* paid is deemed part of the price[34]. In this context, the short seller would be required to pay the remaining price for the shares purchased and not return them later.
- Structurally and purposively, ʿ*urbūn* cannot ground short selling. ʿ*Urbūn* grants the buyer a paid option to rescind, whereas short selling presumes completion of the sale; return of the sale item is not a plausible outcome in this context.[35]

Regardless of its specific sharia infringements or proposed restructuring, short selling, from a *maqāṣid* perspective, exacerbates speculative behavior by allowing non-owners to trade based on price expectations rather than intrinsic value. This increases market volatility and enables swift capital transfers, often disadvantaging certain investors in favor of others, like in a gambling scenario. Although legal limits seek

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[33] Md Mahmudul Alam et al., "The Islamic Shariah Principles for Investment in Stock Market," *Qualitative Research in Financial Markets* 9, no. 2 (May 2017): 132–46, https://doi.org/10.1108/QRFM-09-2016-0029.

[34] Setiawan bin Lahuri et al., "A Normative Analysis of DSN-MUI Fatwa No. 154/DSN-MUI/V/2023 and Its Implications for Sharia ETF Governance in Indonesia," *Al-Muamalat* 13, no. 1 (March 2026): 50–75, https://doi.org/10.15575/am.v13i1.52282.Ibn Qudama, Al-Mughni, 6/331; Al-Bahouti, Shareh Muntaha Al-Iradat, 2/165.

[35] Sofyan Mei Utama and Raka Angwas Putra Ganda, "Analysis of Sharia Conformity Aspects in Stock Investment Based on Securities Crowdfunding," *Al-Muamalat* 9, no. 2 (September 2022): 62–73, https://doi.org/10.15575/am.v9i2.18857; Al-Bahouti, Shareh Muntaha Al-Iradat, 2/163; Ibn Qudama, Al-Mughni, 6/330.

to mitigate these effects, the practice's inherent speculative aspect persists. Short sellers inherently assume considerable risk, as misguided expectations can swiftly lead to big losses, debts, and potential financial devastation.

c. Margin Trading

Margin trading involves acquiring shares with a partial payment, with the broker providing the remaining funds as collateral for a loan secured by those same shares. The broker may liquidate the shares if the investor fails to repay or if prices fall below a specified threshold to recover the loan. [36] Margin buyers anticipate price increases and seek profit through resale, whereas short sellers expect price declines and profit by selling borrowed shares and repurchasing them at lower prices.

Financing margin trading by some Islamic financial institutions occurs in three ways: Firstly, it is through a loan with interest from a financial institution or a brokerage. A loan with interest is obviously impermissible.[37] *Secondly*, it occurs through a *murābaha* contract. The institution buys the shares that the client would like to acquire and then sells them to him for a price that includes a markup. In other words, it occurs when a return is generated, which is an increased fee charged by the brokerage. This is also impermissible because of the hidden interest: the fee is increased to cover it. This is, in fact, the very reason why combining a loan and a sale in one transaction is impermissible in Islam: the possibility of setting a price that favors the lender to compensate him for the loan.[38] *Thirdly*, the financing is free, but the term is short. This formula resembles the second one because it benefits from the loan through the enforced commission on the purchase and then the sale. Even if there is no increment, the loan is implicitly conditioned to benefit

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[36] Meirison Meirison, "The Impact of Foreign Capitulation on Islamic Sharia in The Ottoman Empire," *Justicia Islamica* 17, no. 1 (June 2020): 109–27, https://doi.org/10.21154/justicia.v17i1.1554.

[37] Margin trading involving a Riba-loaded loan has been ruled by OIC Fiqh Academy Resolution No. 63 (1/7) as forbidden. Similar stand is taken by AAOIFI Shariah standards No. 21 (3/6-7).

[38] A *Hadith states*: "*salaf* and sale is impermissible" Reported by Al-Nasai' (4629). Even though this *Hadith* mentions joining a sale only with *salaf*, any exchange contract is similar to sale, as the jurists elaborated. M. Al-Dasuqi, *Hashiyat Al-Dasuqi*, vol. 1 (Dar al-Kutub al-Arabiyah, n.d.), vol. 3: 76; Djumadi et al., "Critical Review of Murābaḥah Financing in Contemporary Islamic Banking: A Maqāṣid al-Sharīʿah Perspective," *MILRev: Metro Islamic Law Review* 4, no. 2 (2025): 1152–88, https://doi.org/10.32332/milrev.v4i2.11087.

the lender by requiring the client to transact with him and pay him a commission for buying and then selling within a short period, especially given that selling shares after a short period may be disadvantageous to the client.[39]

Thus, if financing margin trading at Islamic financial institutions or their affiliated brokerage firms involves higher fees, it amounts to hidden interest. If it is free but with a condition of resale for a short period, this is unacceptable, as mentioned earlier. If, however, it is through *murābaḥah*, it is valid in essence as long as the conditions of a valid murābaḥah sale are fulfilled; the issue that remains unsolved, however, is the speculative nature at the heart of a margin sale.

The speculative nature of margin sales is evident in the numerous restrictions regulatory authorities impose on these sales to reduce their negative effects on markets and their harm to shareholders.[40] This sale enables someone who owns only 100 shares to sell and speculate on 1000 shares, thereby creating a large number of speculators. The total effect of their speculation on prices harms the market and the real long-term investors. Oftentimes, speculators on margin are the first to be harmed, because they enter the market with other people's money in the hope that their expectations will prove correct. If their expectations are wrong, which is very probable, they incur debts that could lead them to bankruptcy or to selling off their own wealth. This explains how a small change in stock market prices, contrary to their expectations, may leave them bankrupt, simply because they gamble with others' money and, as a result, cannot afford the slightest unfavorable change in their stock prices.

Thus, the Islamization of short selling or margin trading, regardless of their Shariah-specific details, leads to the aforementioned adverse effects on the market and its investors.[41] Hence, it is important not only to assess the legitimacy of these transactions at the micro level, but also

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[39] Abozaid, Abdulazeem, "Is Any Benefit from a Loan Prohibited in Islam", International Journal of Business and Management Studies", USA, Vol.07, No 2, 2018).

[40] Al-Kutubi, *Financial Markets*, 135; Abdullah Taufik, "Analysis of Monopoly Risk in TikTok Shop's Acquisition of Tokopedia: A Per Se Illegal Perspective," *Khazanah Hukum* 7, no. 1 (February 2025): 82–91, https://doi.org/10.15575/kh.v7i1.43213.

[41] Asyiqin and Onielda, "Governance, Business, Legal, and Technology."

to consider the essence of these operations and their effects when applied.

3. Trading in Shares Using Financial Derivatives

Derivatives emerged in financial markets through financial engineering, that is, the design and creation of new financial instruments and the development of existing ones. Financial derivatives take their name from being derived from something else; that is, they do not possess market value on their own, but rather are assigned a value after being linked to assets that have value, and hence they become tradable in the market. Financial derivatives include futures, options, and swaps. A forward contract is a deferred sale contract executed in organized financial markets. It is a standardized contract subject to various market rules that serve as the guarantor of its execution.[42] An option contract is a contractual agreement to conduct a possible future sale, under which the option issuer/seller grants the buyer the right to sell or buy something for a predetermined price at a certain future date or at any time during a limited period.[43] A swap is an agreement between two parties to exchange payment obligations, cash flows, or returns on assets or financial instruments for a specified period. Swaps include swapping a variable return for a fixed return, swapping a return from one currency for another, or swapping a variable return for a different variable return, such as swapping returns on certain shares for returns on other shares. For example, someone who receives a variable return from the performance of investment assets, such as shares, may wish to swap them for a fixed return for a year. The broker facilitates such an agreement by finding someone with an investment with a fixed return, such as a rental property, so that each receives the other's return for a year.

All futures, options, and swaps of returns are contracts with deferred counter-values, which constitute a sale with uncertainty (*gharar*) in one

[42] Mohammad Ashraful Ferdous Chowdhury, Yousuf Sultan, and Md Mahmudul Haque, "Conventional Futures: A Review of Major Issues from the Islamic Finance Perspective," *International Journal of Pluralism and Economics Education* 11, no. 2 (January 2020): 201–10, https://doi.org/10.1504/IJPEE.2020.111258; John C. Hull, *Options, Futures, and Other Derivatives*, 7th ed. (Pearson Prentice Hall, 2009).

[43] Sami Al-Suwailem, *Hedging in Islamic Finance* (Jeddah: Islamic Development Bank, Islamic Research and Training Institute, 2006), 10:43; Hull, *Options, Futures, and Other Derivatives*.

or both counter-values, and this is impermissible.[44] In addition, they are instruments used for speculation in the markets, as they rarely result in the actual payment or delivery of the items sold and purchased. The deal does not end with the execution of the sale, but with settlement and payment of the price difference, which the loser pays to the winner.[45]

It is also worth noting that although derivatives on shares are traded outside the stock market, their impact reaches the market, as they significantly push stock prices in their direction. Excessive speculation on a particular stock in the financial markets inevitably affects its price, harming some of its holders and the company it represents.[46]

Overall, the empirical findings indicate that persistent volatility, extreme price swings, and speculative trading dynamics weaken the alignment between market activity and real economic value. When evaluated against *maqāṣid al-sharīa*, such conditions raise significant concerns, such as: the preservation of wealth (*ḥifẓ al-māl*) is undermined by heightened exposure to abrupt losses, the prevention of harm (*dafʿ al-ḍarar*) is compromised by systemic instability and asymmetric risk distribution, and the promotion of economic justice (*ʿadl*) is challenged by wealth transfers driven more by chance and speculation than by productive contribution. This study highlights that trading activities, particularly in markets characterized by high volatility and insufficient regulatory monitoring, reflect an increasing divergence from the *maqāṣid*-oriented economy. Consequently, the assessment of their instruments necessitates a contextual and meticulous approach to guarantee a focus on genuine economic value generation, financial stability, and the safeguarding of society against systemic risks.

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[44] Abozaid, "Maqasid-Based Analysis of Deferring Both Counter Values in Financial Transactions and Its Impact on Contemporary Applications التحليل المقاصدي لمسألة تأجيل البدلين في المعاوضات وأثره في الحكم على تطبيقاتها المعاصرة"; Mohd Shahid Mohd Noh, Suffian Haqiem Nor Azelan, and Muhammad Izzul Syahmi Zulkepli, "A Review on Gharar Dimension in Modern Islamic Finance Transactions," *Journal of Islamic Accounting and Business Research* 16, no. 5 (March 2024): 976–89, https://doi.org/10.1108/JIABR-01-2023-0006.

[45] According to AAOIFI Shariah standard No. 21. 3/12-13-14, dealing in stocks through Futures, Options or Swaps is unlawful.

[46] Aneeka Kanwal, "The Prohibition of Speculation in Islamic Finance: Fairness and Framing," *International Journal of Islamic and Middle Eastern Finance and Management* 15, no. 1 (August 2021): 146–57, https://doi.org/10.1108/IMEFM-01-2021-0034; Shahnaz Naughton and Tony Naughton, "Religion, Ethics and Stock Trading: The Case of an Islamic Equities Market," *Journal of Business Ethics* 23, no. 2 (January 2000): 145–59, https://doi.org/10.1023/A:1006161616855.

Conclusion

This study observes notable volatility patterns, significant price fluctuations, and an escalating divergence between stock market prices and fundamental economic indicators, which subsequently fosters speculative activity driven by uncertainty and sentiment. From a macro sharia viewpoint, this progressively detaches the stock market from its function as a facilitator of constructive economic investment. This circumstance underscores the growing need to assess and regulate stock market instruments in a manner that better aligns with the overarching principles of Islamic law, including safeguarding wealth, avoiding harm, and advancing economic justice. The contribution of this study is its integrative approach, shifting from a micro-level appraisal focused on contractual permissibility to a macro-level approach that considers outcomes and market behavior. By prioritizing empirical market realities over normative assessment, the study reinforces the methodological principle that sound Shariah judgment must be informed by an accurate contextual understanding.

This study is subject to several limitations. The empirical analysis predominantly relies on descriptive indicators of price behavior and volatility and does not utilize causal econometric modeling. Furthermore, the analysis is conducted at the market index level and does not investigate microstructural trading mechanisms or firm-level fundamentals. This suggests potential areas for future research, such as comparative studies of regulatory frameworks and behavioral analysis of the market.

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Disclosure Statement

Abozaid was the lead author, responsible for creating the conceptual and methodological framework, incorporating empirical findings into the Shariah evaluation, and writing the manuscript. Elamrawy helped compile the dataset, perform the empirical analysis, and interpret the quantitative results. Abdullah contributed by verifying research materials, expanding the literature review, and supporting the structural and substantive editing of the manuscript. All authors discussed the results, critically revised the manuscript, and approved the final version. All authors jointly assumed responsibility for the accuracy, originality, and integrity of the article.

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