

ABSTRACT

This research aims to study the interest rate risk profile of sukuk compared to conventional bonds. This study is also to determine whether the diversification technique can be applied in the market of bonds and sukuk in Indonesia. Market risk assessment techniques will be using the two most popular methods, namely duration and Value at Risk.

This study examined sukuk ijarah and conventional bonds in Indonesia. Using Duration Method, the results showed that bond portfolio more sensitive compared to the sukuk portfolio. The result is consistent when Value at Risk Method is used to measure the magnitude of the potential maximum loss. With a 95% confidence level, the VaR portfolio of sukuk has a lower value than the bond portfolio. Diversification sukuk in the mix portfolio can reduce interest rate risk compared to pure bond portfolio.

Calculation of interest rate risk both in sukuk and bonds by two methods, Duration and VaR, providing significant differences in risk VaR values lower than Duration. Despite having a lower risk, VaR method proved to be valid.

Keywords: sukuk, bonds, duration, value at risk, interest rate risk