



Today's Daily

■ Pakistan Market: Off to a good start

After a prolonged period of lackluster returns, the market could not have asked for a better beginning to the year, recording monthly gain of 8.8%MoM in Jan'18 (the highest return in Jan since 2008). Foreign buying remained the most dominant of factors behind the recovery with foreigners purchasing equities worth US\$85.7mn during the month. This in addition to : 1) GoP supporting rupee flexibility and plans to implement tax reforms ahead of general election and 2) an unexpected rate hike of 25bps in Jan'18 MPS furthering sentiments in index heavyweight banks, supported market performance. The performance chart included: Pharmaceuticals (+18.4%MoM on GoP's approval of linking drug prices to CPI), Cements (+17.2%MoM on restriction on expansions particularly in Punjab following SC's order allaying concerns on price war), Oil Marketing Companies (+10.2%MoM on stability of FO demand post shutdown of FO based plants) and Commercial banks (+9.5%MoM on earlier than expected reversal in interest rates) topping the list. Going forward, KSE-100 is expected to continue posting positive returns however gains may be more tepid now given the swift pace of recovery. That said, bouts of volatility cannot be ruled out over political noise. In this backdrop, we reiterate a thematic approach maintaining our preference for LUCK, OGDC, ASTL, NML, EFERT, PSO and INDU.

KSE100 - Index

Current	44,049.05
Previous	44,233.11
Chg.	-0.42%

Mkt Cap. (PkRbn/US\$bn)

Current	9,136 / 82.64
Previous	9,163 / 82.89
Chg.	-0.29%

Daily Turnover (mn)

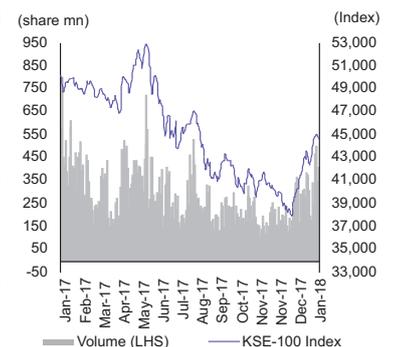
Current	288.59
Previous	282.48
Chg.	2.2%

Value Traded (PkRmn/US\$m)

Current	11,883 / 107.49
Previous	9,501 / 85.94
Chg.	25.1%

News and Views

- Based on statements made by officials including President Donald Trump, Pakistan may face a considerable cut in US assistance based on disagreement over the US's unilateral move to recognize Jerusalem as Israel's capital.
- According to the Fiscal Policy Statement 2017-18 that the Finance Ministry has tabled in the lower house of Parliament stating the intention for 26 per cent equity stake in Pakistan International Airlines along with management control to a private strategic partner. Additionally, the GoP has begun working on a business plan to restructure the airlines with an aim to reduce its losses, which currently stand at over Rs326 billion.
- SBP sold MTB's worth PkR1.15 trn after it received receives bids worth PkR1.863 trn for 3M tenor. Additionally, no bids in 6M and 12M Instruments were received in the first auction since it raised rates in the MPS last week. Cut-off yield for the issue was set at 6.21% vs. 5.91% under the last auction.

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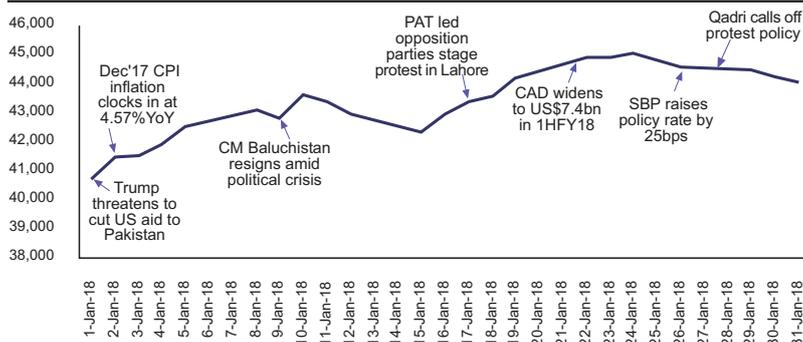
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KSE100 - Index : Jan'18 Timeline



Source: PSX & AKD Research

Sector Performance: The performance chart at the mainboard was led by Pharmaceuticals that gained 18.4%MoM on ECC's approval of linking drug prices to CPI. Following on, positive momentum was also seen in Cements (+17.2%MoM on restriction on expansions in Punjab following SC's order), Oil Marketing Companies (+10.2%MoM on stability of FO demand post shutdown of FO based plants), Commercial banks (+9.5%MoM on earlier than expected reversal in interest rates), Fertilizers (+8.4%MoM on anticipated strong results following higher prices during the Rabi Season). Textiles also remained in limelight in anticipation of further

Jan'18: Sector Performance

Pharmaceuticals	18.4%
Cement	17.2%
OMCs	10.2%
Banks	9.50%
Fertilizers	8.40%
Textiles	6.64%
Automobile and Parts	5.98%
Telecommunication	5.34%
Oil and Gas Exploration	0.99%

Source: PSX & AKD Research

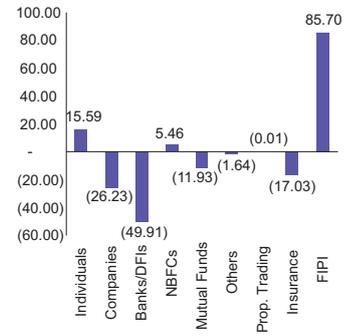


devaluation prospects alongwith possibility of another export package (rationalization of gas tariffs, reduction of electricity tariffs) on cards. On the other hand, Oil&Gas Exploration lost momentum ending up marginally positive (+0.99%MoM) where below average result announcement by POL dented sentiments.

Foreign participation makes way for strong recovery: Marking the highest monthly inflow since Apr'14, Jan'18 witnessed net FIPI inflow of US\$85.7mn. Sectors that attracted the most interest included Cements and Commercial banks together making up US\$53.1mn (or ~62%) of the total inflows during the month. On the local front, while institutions were active on the selling side (Banks/DFIs, Mutual Funds and insurance companies selling US\$~105mn), individuals remained buyers (net buy of US\$15.6mn) during the month.

Investment Perspective: KSE-100 is expected to continue posting positive returns however gains may be more tepid now given the swift pace of recovery. Near term outlook remains dependent on the earnings seasons with sectors like Oil&Gas Exploration, Textiles, and Fertilizers expected to post healthy growth. More pertinent however will be the trend of foreign flows in determining market direction accordingly. We prefer LUCK, OGDC, ASTL, NML, EFERT, PSO and INDU.

Jan'18: FIPI vs. LIPI (US\$mn)



Source: NCCPL & AKD Research



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