



## AKD Securities Limited

TREC Holder & Registered Broker  
Pakistan Stock Exchange

Equity Research / Pakistan

REK-216  
www.jamapunji.pk

### Today's Daily

#### ■ Pakistan Economy: Feb'17 CPI Preview

CPI based inflation for Feb'17 is projected to read at 4.1%YoY, considerably higher than 3.66%YoY seen in Jan'17. While food prices are likely to see a dip on seasonal trend, this should be countered by the recent hike in petroleum prices (petrol/diesel up 7.6%MoM/6.9%MoM) lifting the Transport Index considerably higher. Consequently, 8MFY17 CPI average will stand at 3.9%YoY compared to 2.5%YoY in the corresponding period. NFNE Core inflation is expected to clock in at 5.3%YoY (lower than 5.4%YoY in Jan'17) to take 8MFY17 average to 5.0%YoY vs. 4.0%YoY in 8MFY16. Going forward, we expect inflation levels to see a steady increase buoyed by higher price levels for food items and rising global oil prices where we forecast CY17 CPI/NFNE Core inflation to average 5.4%YoY/5.9%YoY vs. 3.8%YoY/4.0%YoY in CY16.

#### KSE100 - Index

Current 48,520.75  
Previous 49,007.99  
Chg. -0.99%

#### Mkt Cap. (PkRbn/US\$bn)

Current 9,617 / 91.73  
Previous 9,705 / 92.56  
Chg. -0.90%

#### Daily Turnover (mn)

Current 250.99  
Previous 275.39  
Chg. -8.9%

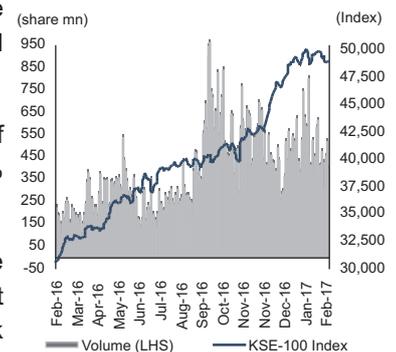
#### Value Traded (PkRmn/US\$mn)

Current 11,595 / 110.59  
Previous 14,182 / 135.26  
Chg. -18.2%

**AKD Daily**  
Tuesday, Feb 28, 2017

### News and Views

- SBP has directed that all imports into Pakistan should be made compulsorily through Electronic Import Form (EIF) to curb illegal and duplicate payments of imports by unscrupulous elements.
- In a summary sent to the GoP, OGRA recommended an increase of 2.7% in the price of HSD, 4.15% in petrol, 41% in kerosene and 25.2% in light diesel oil.
- Chinese investors are contemplating to build a chemical and automobile city in Gwadar under umbrella of CPEC. Sources linked to CPEC project said on Monday that Chinese authorities have already initiated paperwork on said projects which reflects their seriousness.
- APCTMA has clarified that Lahore High Court (LHC) has not granted stay order to importers in fresh petitions filed in tiles cases which are fixed for final arguments on March 10, 2017.



**Muneeba Shoaib**  
muneeba.shoaib@akdsecurities.net  
111-253-111 Ext:634

**Important disclosures**, including investment banking relationships and analyst certification at end of this report. AKD Securities does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of the report. Investors should consider this report as only a single factor in making their investment decision.

Find AKD research on Bloomberg (AKDS<GO>), firstcall.com and Reuters Knowledge UAN: 111-253-111

Copyright©2017 AKD Securities Limited. All rights reserved. The information provided on this document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject AKD Securities or its affiliates to any registration requirement within such jurisdiction or country. Neither the information, nor any opinion contained in this document constitutes a solicitation or offer by AKD Securities or its affiliates to buy or sell any securities or provide any investment advice or service. AKD Securities does not warrant the accuracy of the information provided herein.



## Pakistan Economy: Feb'17 CPI Preview

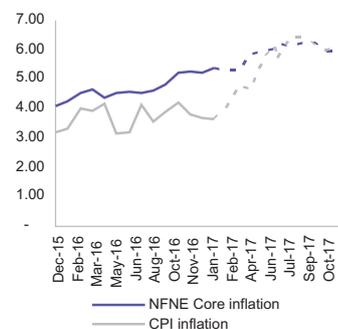
CPI based inflation for Feb'17 is projected to read at 4.1%YoY, considerably higher than 3.66%YoY seen in Jan'17. While food prices are likely to see a dip on seasonal trend, this should be countered by the recent hike in petroleum prices (petrol/diesel up 7.6%MoM/6.9%MoM) lifting the Transport Index considerably higher. Consequently, 8MFY17 CPI average will stand at 3.9%YoY compared to 2.5%YoY in the corresponding period. NFNE Core inflation is expected to clock in at 5.3%YoY (lower than 5.4%YoY in Jan'17) to take 8MFY17 average to 5.0%YoY vs. 4.0%YoY in 8MFY16. Going forward, we expect inflation levels to see a steady increase buoyed by higher price levels for food items and rising global oil prices where we forecast CY17 CPI/NFNE Core inflation to average 5.4%YoY/5.9%YoY vs. 3.8%YoY/4.0%YoY in CY16.

**Feb'17 CPI preview - back on a rise:** Headline inflation for Feb'17 is projected to clock in at 4.1%YoY, marking a sharp rise from 3.66%YoY recorded in Jan'17. This however reflects a sequential increase of 0.17%MoM in the CPI index, slightly lower than 0.18%MoM in the last month. The main driving factor for the monthly uptick will be hike in domestic fuel prices (petrol/diesel up 7.6%MoM/6.9%MoM) since mid-Jan'17, lifting the Transport Index considerably higher. While food prices are anticipated to decrease on seasonal factors, SPI trends indicate a lower-than-historical dip for the month, further supporting higher inflation for Feb'17. NFNE Core inflation is however expected to see a slowdown from last month, likely coming in at 5.3%YoY compared to 5.4%YoY in Jan'17, implying a sequential rise of 0.16%MoM vs. 1.1%MoM earlier.

**CY17 CPI Outlook:** Going forward, inflation numbers are expected to see steady increase buoyed by higher price levels for food items in line with seasonal trends and supported by Ramadan/Eid period due in 4QFY17. Moreover, higher global oil prices translating in to increasing petroleum prices also make the case for inflation levels to continue rising here onwards. In CY17, we expect CPI inflation to average 5.4%YoY vs. 3.8%YoY in CY16.

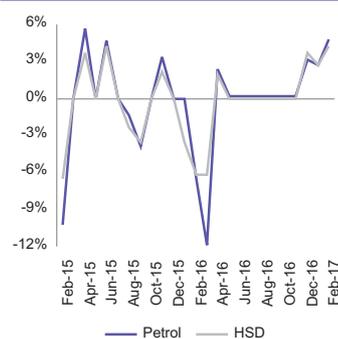
**Monetary stance remains firm:** Our inflation outlook for the year eliminates room for any softness in SBP's monetary stance, particularly as Core inflation stabilizes at higher levels and is projected to cross 6.0%YoY during the year (CY17F average: 5.9%YoY). Additionally, worsening external account metrics have emerged as a key concern with the dip in fx reserves (US\$21.9bn currently vs. its peak of US\$24.0bn) seen this month creating risks for currency depreciation. This along with sharp deterioration in current account (FY17F: 1.85% of GDP vs. 1.2% in FY16) will be a key deterrent to further easing. Moreover, loan growth in the private sector is now more visible with Jan'17 witnessing an uptick of 13.5%YoY which coupled with a pickup in LSM growth (3.9%YoY in 1HFY17) weakens justification for a rate cut.

CPI Projections (%YoY)



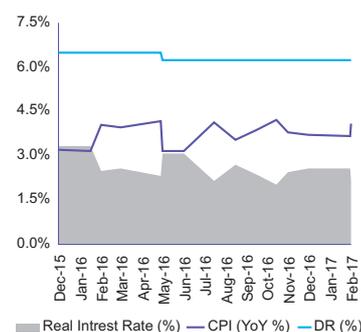
Source: PBS & AKD Research

Monthly rise in fuel prices (%MoM)



Source: News Flows, OGRA & AKD Research

DR vs CPI.



Source: SBP, PBS & AKD Research



## Disclosure Section

Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument and is for the personal information of the recipient containing general information only. AKD Securities Limited (hereinafter referred as AKDS) is not soliciting any action based upon it. This report is not intended to provide personal investment advice nor does it provide individually tailored investment advice. This report does not take into account the specific investment objectives, financial situation/financial circumstances and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. AKDS recommends that investors independently evaluate particular investments and strategies and it encourages investors to seek the advice of a financial advisor.

The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. The securities or strategies discussed in this report may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

Reports prepared by AKDS research personnel are based on public information. AKDS makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. Facts and views presented in this report have not been reviewed by and may not reflect information known to professionals in other business areas of AKDS including investment banking personnel. AKDS has established information barriers between certain business groups maintaining complete independence of this research report.

This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. Neither AKDS, nor any of its affiliates or their research analysts have any authority whatsoever to make any representation or warranty on behalf of the issuer(s). AKDS Research Policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

We have taken all reasonable care to ensure that the information contained herein is accurate, up to date, and complies with all prevailing Pakistani legislations. However, no liability can be accepted for any errors or omissions, or for any loss resulting from the use of the information provided as any data and research material provided ahead of an investment decision are for information purposes only. We shall not be liable for any errors in the provision of this information, or for any actions taken in reliance thereon. We reserve the right to amend, alter, or withdraw any of the information contained in these pages at any time and without notice. No liability is accepted for such changes.

### Stock Ratings

Different securities firms use a variety of rating terms as well as different rating systems to describe their recommendations. A rating system which uses similar terms such as Buy, Accumulate, Neutral, Reduce and Sell is not equivalent to our rating system. Investors should carefully read the definitions of all ratings used in each research report. In addition, research reports contain information carrying the analyst's view and investors should carefully read the entire research report and not infer its contents from the rating ascribed by the analyst. In any case, ratings or research should not be used or relied upon as investment advice. An investor's decision to buy, sell or hold a stock should depend on individual circumstances (such as the investors existing holdings or investment objectives) and other considerations. Please see our table below for ratings definitions which are based on price returns.

#### *Rating Definitions*

Buy	≥ 20% upside potential
Accumulate	> 5% to < 20% upside potential
Neutral	≤ 5% to ≥ -5% potential
Reduce	< -5% to > -20% downside potential
Sell	≤ -20% downside potential



### **Analyst Certification of Independence**

The analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

The research analysts, strategists or research associates principally having received compensation responsible for the preparation of this AKDS research report based upon various factors including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

### **Disclosure of Interest Area**

AKDS and the authoring analyst do not have any interest in any companies recommended in this research report irrespective of the fact that AKD Securities Limited may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

### **Regional Disclosures (Outside Pakistan)**

The information provided in this report and the report itself is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject AKDS or its affiliates to any registration or licensing requirements within such jurisdiction or country.

Furthermore, all copyrights, patents, intellectual and other property in the information contained in this report are held by AKDS. No rights of any kind are licensed or assigned or shall otherwise pass to persons accessing this information. You may print copies of the report or information contained within herein for your own private non-commercial use only, provided that you do not change any copyright, trade mark or other proprietary notices. All other copying, reproducing, transmitting, distributing or displaying of material in this report (by any means and in whole or in part) is prohibited.