



AKD Securities Limited

TREC Holder & Registered Broker
Pakistan Stock Exchange

Equity Research / Pakistan



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Today's Daily

■ Jun'17 Market Review: Politics remained the major headliner

Marking its highest monthly decline since Jan'17, the benchmark index lost 7.96% during the month of June. Politics dominated the headlines with JIT proceedings in relation to the Panama gate investigation taking the center stage. Furthermore, relentless foreign selling in initial days of the month following the market's graduation to the MSCI EM was another key dampener. Sectors' performance at the mainboard remained dismal with none being able to post positive returns. In this regard, Oil&Gas (down 15.7% MoM on lower oil prices), Cements (down 10.3% MoM on potential slowdown in dispatches growth in the ongoing Monsoon season) and Fertilizers (down 7.6% MoM on continuous inventory buildup) were major losers. Jul'17 is likely to be another volatile month with politics largely dominating market sentiments (JIT investigation report expected to be submitted to SC on Jul 10'17). That said, the upcoming earnings season combined with pick up in foreign inflows (US\$7.9mn net buy in Jun'17 including strategic stake sale of HASCOL) can revitalize interest particularly when market valuations have become relatively attractive.

KSE100 - Index

Current 46,565.29
Previous 46,711.85
Chg. -0.31%

Mkt Cap. (PkRbn/US\$bn)

Current 9,522 / 90.82
Previous 9,506 / 90.66
Chg. 0.17%

Daily Turnover (mn)

Current 235.70
Previous 187.40
Chg. 25.8%

Value Traded (PkRmn/US\$m)

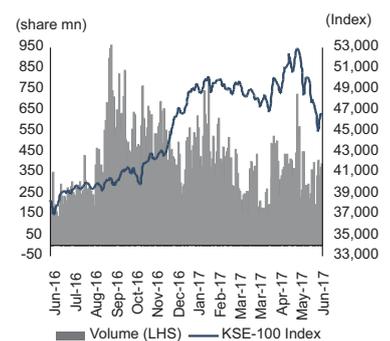
Current 9,393 / 89.58
Previous 12,593 / 120.10
Chg. -25.4%

AKD Daily

Monday, Jul 03, 2017

News and Views

- A senior US Senate delegation led by Sen. John McCain stated the pivotal role played by Pakistan in regional peace and security. Meeting senior political and military leadership, the delegation affirmed that US policies in the region, particularly with regards to Kashmir, remained unchanged.
- Developments concerning the Panama papers JIT include the conclusion of FIA's investigation into SECP's alleged alteration of records, recording or statements by PM Sharif's family members. Entering the concluding stages of its investigation, the JIT is expected to call on the PM's sons and FM Dar in the coming days, according to news sources.
- Notifying prices for POL products for the month of July'17, FM Dar reduced pump prices for Mogas and HSD by PkR1.5/ltr to PkR71.3/ltr and PkR79.9/ltr, while increasing applicable GST rate on Mogas to 20.5%.



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Jun'17 Market Review: Politics remained the major headliner

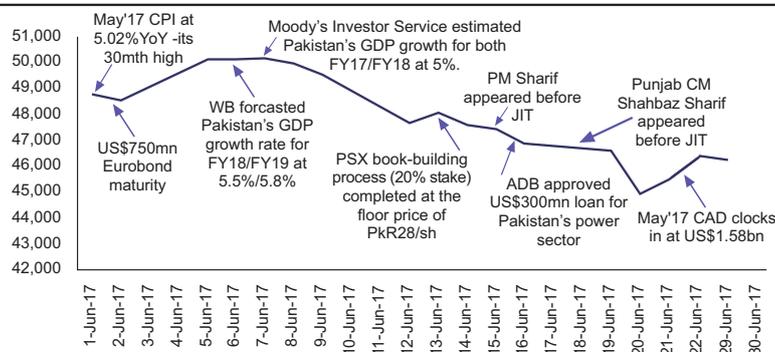
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JIT proceedings nearing completion

Jul 3'17	Ishaq Dar/Hasan Nawaz to appear before JIT
Jul 4'17	Hussain Nawaz to appear before JIT
Jul 5'17	Maryum Nawaz to appear before JIT
Jul 10'17	Submission of final investigation report by JIT

Source: Newsflows & AKD Research

KSE100 Index: Jun'17 Timeline



Source: PSX & AKD Research

Sector performance: Performance at the mainboard remained dismal with none of the key sectors making it into the green. For Oil&Gas sector, lower oil prices continue to drag performance with Brent/WTI trading 5.7%/6.5% lower MoM. Cements were down 10.3% MoM on potential slowdown in dispatches growth during the ongoing Monsoon season while Fertilizers lost 7.6% MoM on account of continuously increasing stockpiles. With interest rate reversal expectations being pushed off further on inflation readings, Commercial Banks also remained in a tight spot, losing 4.3% MoM.

Jun'17: Sector Performance

Commercial Banks	-4.3%
Textile	-4.4%
Automobile and Parts	-5.4%
Chemicals	-7.6%
Pharma	-8.22%
Cement	-10.3%
Oil and Gas	-15.7%

Source: KSE & AKD Research

Volumes: Trading activity slowed down during Ramadan with average volumes for the month clocking in at 257.2mn shares versus 338.2mn shares. On the plus side, foreigners remained net buyers for the month (US\$7.9mn inflows, which included Vitol Dubai's increased stake in HASCOL



for about US\$18.7mn) contrary to the year's trend (net outflows of US\$332.8mn in 1HCY17). On the local front, individuals offloaded positions worth US\$61.3mn reflecting concerns on the political landscape while Insurance companies were active on the buying side during the month.

Investment Perspective: While politics is to remain the major headliner impacting market's performance in Jul'17, the upcoming 2HCY17/FY17 earnings season could be a key performance determinant with most companies in key sectors (Cements, Autos, and Electricity) announcing full year payouts. Moreover, if the recent foreign inflows continue (net buy of US\$43.3mn in the last two weeks), the market can resume its positive momentum especially given attractive valuations (KSE-100 index trades at a P/E of 8.96x currently vs. 9.87x in May'17).



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