



AKD Securities Limited

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Equity Research / Pakistan



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Today's Daily

■ Pakistan Market: May'17 Review & Outlook

As eventful as it was, the market gained 2.6%MoM in May'17 in anticipation of a populist budget while gearing up for Pakistan's formal inclusion in the MSCI EM index. The gains however were limited (the market lost 4% since presentation of Budget FY18) where, contrary to expectations, fiscal prudence superceded election year populist measures in Budget FY18. Also, unexpected tax restructuring on the stock market induced further volatility (flat 15% CGT regardless of holding period, enhancement of tax on dividend to 15%). On the other hand, transition to MSCI EM index triggered a sell-off with KSE-100 index losing 1.7%, just a day before formal inclusion of Pakistan in MSCI EM (Jun 1'17). In this regard, profit taking was evident in MSCI EM stocks with traded value recorded at US\$508.7mn, touching its decade high. Going forward, foreign activity is likely to guide market sentiments in the short term with the market seeing increased volatility until complete re-balancing of portfolios. However, we expect key themes like: 1) materialization of CPEC projects, 2) healthy corporate earnings growth (12% next year), 3) interest rate reversal and 4) depreciative pressures on the PkR to take center stage until general elections next year.

KSE100 - Index

Current 50,591.57
Previous 51,453.16
Chg. -1.67%

Mkt Cap. (PkRbn/US\$bn)

Current 10,083 / 96.16
Previous 10,237 / 97.63
Chg. -1.50%

Daily Turnover (mn)

Current 410.82
Previous 234.59
Chg. 75.1%

Value Traded (PkRmn/US\$m)

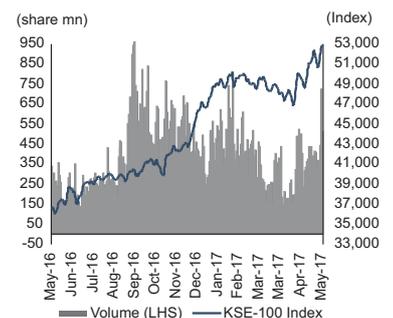
Current 53,338 / 508.66
Previous 16,318 / 155.62
Chg. 226.9%

AKD Daily

Thursday, Jun 01, 2017

News and Views

- As per news report, the Lahore High Court has dismissed numerous petitions filed by commercial importers against the anti-dumping duty on different steel products. The outcome would support the domestic manufacturers of cold rolled coil (CRC).
- The GoP has reduced the petrol and diesel prices by PkR1.2/ltr & PkR1.6/ltr to PkR72.8/ltr & PkR81.4/ltr respectively, while kerosene and light diesel prices remained unchanged. Earlier OGRA in its summary to MoF proposed PkR2.3/3.2/ltr reduction in petrol/ diesel prices, and PkR 9.5/11.6/ltr increase in kerosene/ light diesel prices.
- As per news reports, the MoF has agreed to provide PkR45bn to IPPs and OMCs to ease the burden of circular debt. Of the total amount, PSO is likely to receive only PKR10bn, while remaining PkR35bn will be disbursed to IPPs.



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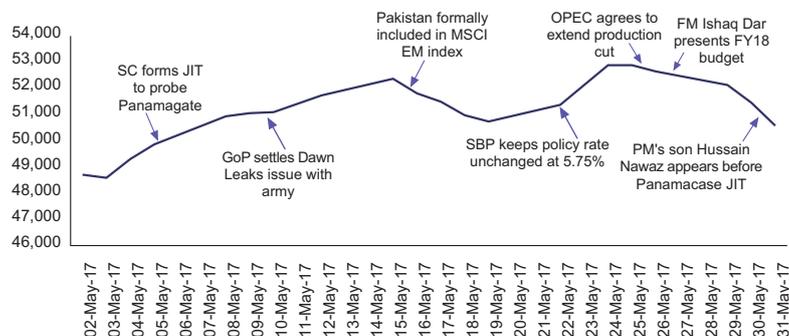
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KSE100 Index: May'17 Timeline



Source: PSX & AKD Research

MSCI EM transition: The market lost 1.7% on the last trading day of the month clipping monthly gains to 2.6%MoM. The sell-off was largely triggered by foreigners (likely institutions following a frontier strategy) that offloaded net position US\$81.7mn yesterday particularly in MSCI EM names. In this regard, OGDC, HBL, UBL, MCB, LUCK and ENGRO closed on limit down.

Sector Performance: Oil&Gas led the charge in terms of price performance posting a positive return of 10.3% in anticipation of extending oil supply cuts in OPEC's May'17 meet. Following on, Textiles (+3.3%MoM on anticipation of refund payments in budget), Chemicals (+1.7% on positive budgetary implications) alongwith Commercial Banks (+1.2% on MSCI EM inclusion) also ended in green. Laggards included Cements (-4.6%MoM

May'17: Sector Performance

Oil and Gas	10.3%
Textile	3.3%
Commercial Banks	1.2%
Automobile and Parts	-1.8%
Telecommunication	-3.3%
Pharma and Bio Tech	-3.9%
Cement	-4.6%

Source: KSE & AKD Research



on anticipated slowdown in dispatches in Ramadan) and Automobiles (-1.8%MoM on profit taking post a stellar run-up in Apr'17).

Investment Perspective: Foreign activity is likely to guide market sentiments in the short term with the market seeing increased volatility until complete re-balancing of portfolios. That said, we reiterate our index target of 55,808 points for CY17 where key themes like: 1) materialization of CPEC projects, 2) healthy corporate earnings growth (12% next year), 3) interest rate reversal and 4) depreciative pressures on the PkR should take center stage until general elections next year.



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



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