



Today's Daily

■ Pakistan Market: Feb'18 Review

Political bearings had the most profound impact on market sentiments this month (Feb'18 returns: -1.8%MoM) with key developments including: 1) SC declaring Nawaz Sharif ineligible to continue as party head while dismissing all political actions taken by him since Jul 28'17 (Panama case verdict) and 2) inclusion of Pakistan in FATF's watch-list. These in combination with event based negativity in key sectors (increase in minimum pension amount to PkR8000 per month for bank retirees by SC and imposition of windfall levy on certain licenses in Oil&Gas space) and unabated foreign selling (net outflow of US\$32.1mn in Feb'18) further marred index performance. Result season was in full swing during the month however it failed to create much excitement with major sectors reporting below expected earnings performance. Similarly, performance at the mainboard remained dismal with major sectors ending in red. With the market moving past some its biggest flashpoints for risk, political clarity particularly post Senate elections on Mar 3'18 should dilute concerns for the market, going forward. However, approaching deadline for pending decisions on various references against ex-PM can heighten risk perception. MPS announcement is another key event to track where higher than expected inflation number can prompt another rate hike, bringing the index-heavy banking sector in limelight.

KSE100 - Index

Current	43,239.44
Previous	42,994.96
Chg.	0.57%

Mkt Cap. (PkRbn/US\$bn)

Current	9,024 / 81.61
Previous	8,988 / 81.29
Chg.	0.40%

Daily Turnover (mn)

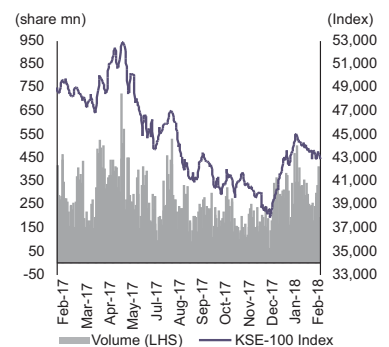
Current	151.36
Previous	144.89
Chg.	4.5%

Value Traded (PkRmn/US\$m)

Current	7,150 / 64.66
Previous	6,812 / 61.61
Chg.	5.0%

News and Views

- Confirming that Pakistan would be on Financial Action Task Force's (FATF) 'grey list' in June, the Foreign Office on Wednesday said Islamabad would strive to overcome the shortcomings in its counter-illicit financing regime.
- GoP will be borrowing US\$7bn in the remaining months of the current fiscal year to bridge the widening current account deficit, acknowledged senior officials of Finance Ministry here on Wednesday. In related news, the government is mulling issuing international bonds by Jun'18 to generate US\$3bn to meet external debt servicing requirements.
- GoP increased prices of petrol and HSD by PkR3.56 and PkR2.62 per litre respectively for the month of Mar'18.
- Pak Suzuki Motor Company Ltd (PSMC) has raised prices of various models by PkR20,000-50,000 in just two months.

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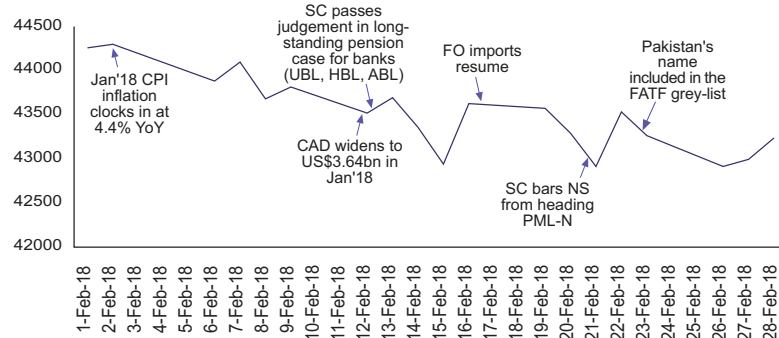
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KSE100 - Index : Feb'18 Timeline



Source: PSX & AKD Research

Sector Performance: Performance at the mainboard remained dismal with major sectors ending in red. Notably, Automobiles were down 7.1%MoM on currency devaluation concerns while Cements lost 6.1%MoM on subpar earnings performance as higher coal prices restricted margin growth. Legal impediments impacted price performance for Pharmaceuticals (down 5.3%MoM on an ongoing case pertaining to revision of drug prices) and Commercial Banks (down 1.3%MoM on unfavorable pension case decision). Other laggards included Fertilizers (down 2.1%MoM), Textiles (down 1.1%MoM) and Oil&Gas (-1.0%MoM).

Feb'18: Sector Performance

Telecommunication	-11.40%
Automobile and Parts	-7.10%
Cement	-6.10%
Pharmaceuticals	-5.30%
Fertilizers	-2.10%
Banks	-1.30%
Textiles	-1.10%
Oil and Gas	-1.00%

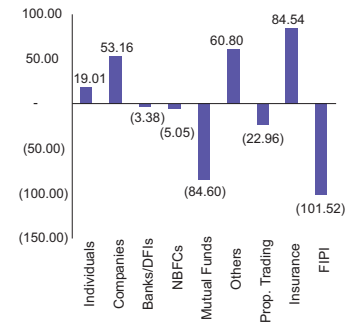
Source: PSX & AKD Research



Foreign selling remained a key feature: As part of a global pull-out strategy in the backdrop of a hawkish Fed rate outlook, foreigners resorted to booking profits in Feb'18, selling US\$32.1mn (net) worth equities during the month. Majority of the selling was concentrated in Commercial banks (net outflow: US\$21.4mn) and Oil&Gas Exploration sectors (net outflow: US\$10.1mn). On the local front, Insurance companies (net inflow: US\$38.1mn) and Companies (net inflow: US\$7.7mn) were active on the buying side majorly.

Investment Perspective: Senate elections, scheduled on Mar 3'18, will be a key procedural hallmark ensuring timely general elections while at the same time providing much needed political clarity. However, approaching deadline for pending decisions on various references against ex-PM can heighten risk perception. MPS announcement is another key event to track where higher than expected inflation number can prompt another rate hike, bringing the index-heavy banking sector in limelight. We recommend thematic exposure in MCB, BAFL, LUCK, DGKC, EFERT, ENGRO, ASTL and HUBC

FYTD- FIPI vs. LIPI (US\$mn)



Source: NCCPL & AKD Research



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