



AKD Securities Limited

TREC Holder & Registered Broker
Pakistan Stock Exchange

Equity Research / Pakistan



REP-108
www.jamapunji.pk

Today's Daily

■ Pakistan Economy: May'17 CPI Preview

CPI based inflation for May is expected to record at 5.05%YoY, a jump in comparison to 4.78%YoY observed in the preceding month, to reflect the low base effect with sequential increase projected to remain limited (0.05%MoM). The uptick is restricted on the back of an expected sequential dip (-0.21%MoM) in the food index as reflected in SPI trends. Hence, average CPI for 11MFY17 is expected to stand at 4.18%YoY vs. 2.83%YoY for the corresponding period in FY16. Moving ahead, we believe inflation levels will maintain their upward trend, supported by rising global oil prices (Arabligh expected to average US\$55/bbl for CY17), subsequently pulling the average CPI based inflation for CY17 to 5.1%YoY vs. 3.8%YoY in CY16. Additionally, NFNE Core inflation is projected to average at 5.8%YoY in CY17 (vs. 4.7%YoY in CY16). In accordance with our projections for inflation levels we anticipate an interest rate reversal (hike of 25bps in Nov'17) towards the end of this year, as inflationary pressures are projected to push real interest rates in to the negative zone, lending support to a tighter monetary policy.

KSE100 - Index

Current 51,453.16
Previous 52,138.90
Chg. -1.32%

Mkt Cap. (PkrBn/US\$bn)

Current 10,237/ 97.63
Previous 10,343 / 98.64
Chg. -1.02%

Daily Turnover (mn)

Current 234.59
Previous 203.08
Chg. 15.5%

Value Traded (PkrMn/US\$m)

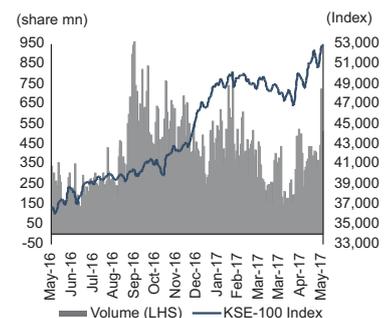
Current 16,318 / 155.62
Previous 12,977 / 123.75
Chg. 25.7%

AKD Daily

Wednesday, May 31, 2017

News and Views

- The OGRA in its summary to petroleum ministry has proposed to reduce MOGAS and HSD prices by Pkr2.3/ltr and Pkr3.2/ltr, respectively. In addition, increase in LSD and kerosene oil prices by Pkr11.6/ltr and Pkr9.5/ltr was also recommended in the summary.
- While presiding cabinet committee meeting on energy, PM Nawaz Sharif has ordered a special audit of fresh circular debt claims of Pkr401bn and third-party analysis of the power demand-and-supply situation on the basis of projects that are coming up for commercial operations.
- As per recent data released by SBP, the GoP has borrowed Pkr850bn during FYTD (vs. Pkr502bn during SPLY) from commercial banks for budgetary support.



Muneeba Shoaib

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

Ammar Suria

ammam.suria@akdsecurities.net
111-253-111 Ext: 602

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.

Our research is also available on ResearchPool (<https://www.researchpool.com/provider/akd-securities>) research@akdsecurities.net | www.akdsecurities.net



Pakistan Economy: May'17 CPI Preview

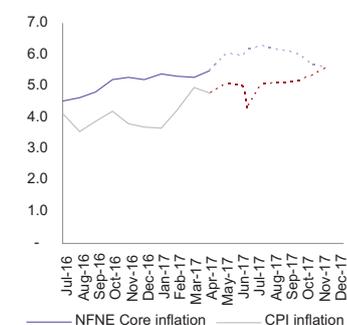
CPI based inflation for May is expected to record at 5.05%YoY, a jump in comparison to 4.78%YoY observed in the preceding month, to reflect the low base effect with sequential increase projected to remain limited (0.05%MoM). The uptick is restricted on the back of an expected sequential dip (-0.21%MoM) in the food index as reflected in SPI trends. Hence, average CPI for 11MFY17 is expected to stand at 4.18%YoY vs. 2.83%YoY for the corresponding period in FY16. Moving ahead, we believe inflation levels will maintain their upward trend, supported by rising global oil prices (Arablight expected to average US\$55/bbl for CY17), subsequently pulling the average CPI based inflation for CY17 to 5.1%YoY vs. 3.8%YoY in CY16. Additionally, NFNE Core inflation is projected to average at 5.8%YoY in CY17 (vs. 4.7%YoY in CY16). In accordance with our projections for inflation levels we anticipate an interest rate reversal (hike of 25bps in Nov'17) towards the end of this year, as inflationary pressures are projected to push real interest rates in to the negative zone, lending support to a tighter monetary policy.

May'17 CPI Preview: CPI inflation is expected to record at 5.05%YoY for May'17, rising considerably from 4.78%YoY observed in Apr'17, to reflect the low base effect. However, sequential increase is projected to remain limited (0.05%MoM vs. 1.39%MoM in Apr'17) on the back of an expected sequential dip (-0.21%MoM vs. rise of 1.8%MoM in Apr'17) in the food index due to a fall in prices of perishable items as reflected in SPI trends. Subsequently, average CPI inflation for 11MFY17/5MCY17 is projected at 4.18%YoY/4.53%YoY vs. 2.83%YoY/3.73%YoY in 11MFY16/5MCY16. Moreover, NFNE Core inflation is expected to clock in slightly above at 5.6%YoY in May'17 vs. 5.5%YoY in Apr'17 on rise in Clothing index.

CY17 Outlook: With commencement of Ramadan, we expect inflation levels to record significant increase in the coming month with likely push to food and clothing prices. That said, expected decline in fuel prices for the month should help CPI end FY17 at an average of 4.3%YoY vs. 2.9%YoY in FY16. Furthermore, CPI inflation should continue to rise as global oil prices increase (Arablight expected to average US\$55/bbl for CY17). With the slight jump in CPI based inflation in coming months, we expect CPI for CY17 to average at 5.1%YoY vs. 3.76%YoY in CY16. Keeping in line with the assumptions, NFNE is likely to average at 5.8%YoY in CY17 (vs. 4.7%YoY in CY16) maintaining its upward trend.

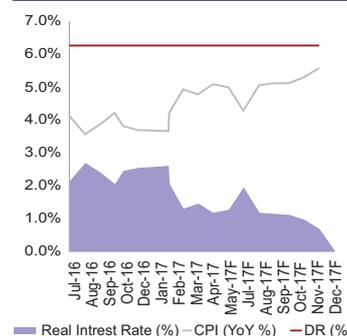
MPS Outlook: In accordance with our inflation estimates, we see room for a monetary policy stance reversal by the end of CY17 (hike of 25bps in Nov'17), as inflationary pressures are projected to push real interest rates into the negative zone (+65bps in CY17F vs. 5yr avg. of +250bps). Moreover, growing external risks such as: 1) a soaring current account deficit (projected at 2.7%/3.8% of GDP in FY17E/FY18F) and 2) falling reserves (US\$20.9bn/US\$17.5bn in FY17E/FY18F) lend support to a tighter monetary policy.

CPI Projections (%YoY)



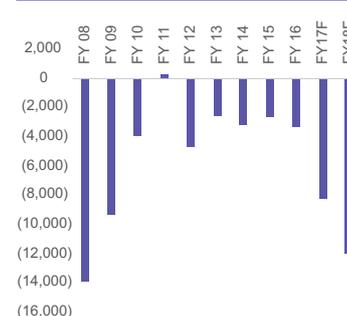
Source: SBP, PBS & AKD Research

DR vs. CPI



Source: SBP, PBS & AKD Research

Current Account (US\$m)



Source: SBP & 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.