



## AKD Securities Limited

TREC Holder & Registered Broker  
Pakistan Stock Exchange

Equity Research / Pakistan



REP-108  
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### Today's Daily

#### ■ Pakistan Market: Politics in a triggerless month, sparks sell-off

Recording the highest monthly decline for the year, the benchmark KSE100 Index lost 10.44% during the month of Aug'17. Once again politics took center stage with concerns of policy paralysis (post disqualification of Nawaz Sharif) influencing sentiments. Additionally, a mixed result season and discouraging developments in Cements (price reduction) and Banks (possibly sizable fine on HBL which contributes >7% to the KSE100) were other key dampeners. That said, local investors (other than props) encouragingly absorbed (net positive flows) the entire quantum of foreign selling (US\$80.46mn) in Aug'17. Sectors' performance at the mainboard remained dismal with none of the majors being able to post positive returns. Sep'17 is likely to be another volatile month with domestic politics (NA-120 by-polls on 17th Sep) and geo-political concerns (developments in the Far East and consequent policy response by the West) likely weighing on market performance. Citing attractive valuations (KSE100 forward P/E at 7.6x, 37% discount to EM) amidst likelihood of pervasive market volatility, we recommend thematic exposure in defensive sectors especially with US\$ linked revenues/profits (Oil & Gas, Electricity, Textiles).

#### KSE100 - Index

Current 41,206.99  
Previous 41,323.65  
Chg. -0.28%

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

Current 8,648 / 82.06  
Previous 8,668 / 82.25  
Chg. -0.23%

#### Daily Turnover (mn)

Current 70.56  
Previous 132.10  
Chg. -46.6%

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

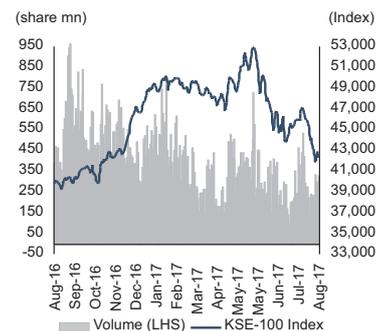
Current 5,425 / 51.47  
Previous 7,085 / 67.23  
Chg. -23.4%

AKD Daily

Tuesday, Sep 05, 2017

### News and Views

- The Executive Board of the National Accountability Bureau (NAB) is likely to meet today (Tuesday) to approve the filing of four references against former Prime Minister Nawaz Sharif, his family and Finance Minister Senator Ishaq Dar with the accountability courts.
- The GoP has decided to resume the process of privatization and divest up to 18.39% of its shareholding in Mari Petroleum Company Limited (MPCL). In this regard, the Privatization Commission invited financial advisory consortium to submit technical and financial proposals by Sep 25'17.
- Port Qasim Authority (PQA) Chairman Agha Jan Akhtar has stated that three more consortium of companies have shown interest to setup three LNG terminals at Port Qasim. Two separate consortiums (comprising LUCK, Sapphire & Hallmore as a group, and ENGRO, FATIMA & SHELL in other group) plan to setup Floating Ship Re-gasification Unit (FRSU) with a capacity of 600mscf, while third terminal is expected to be set up by Pakistan Gasport Consortium Ltd and Fauji foundation.



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## Pakistan Market: Politics in a triggerless month, sparks sell-off

Recording the highest monthly decline for the year, the benchmark KSE100 Index lost 10.44% during the month of Aug'17. Once again politics took center stage with concerns of policy paralysis (post disqualification of Nawaz Sharif) influencing sentiments. Additionally, a mixed result season and discouraging developments in Cements (price reduction) and Banks (possibly sizable fine on HBL which contributes >7% to the KSE100) were other key dampeners. That said, local investors (other than props) encouragingly absorbed (net positive flows) the entire quantum of foreign selling (US\$80.46mn) in Aug'17. Sectors' performance at the mainboard remained dismal with none of the majors being able to post positive returns. Sep'17 is likely to be another volatile month with domestic politics (NA-120 by-polls on 17th Sep) and geo-political concerns (developments in the Far East and consequent policy response by the West) likely weighing on market performance. Citing attractive valuations (KSE100 forward P/E at 7.6x, 37% discount to EM) amidst likelihood of pervasive market volatility, we recommend thematic exposure in defensive sectors especially with US\$ linked revenues/profits (Oil & Gas, Electricity, Textiles).

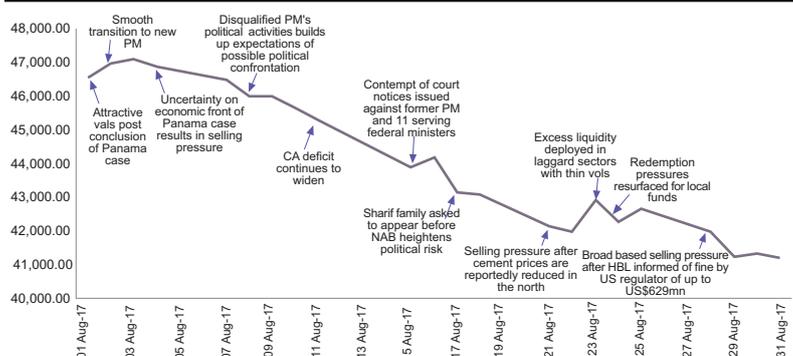
**Sector performance:** Performance at the mainboard remained dismal with none of the key sectors making it into the green. For the Cements sector (down 16%MoM), a reduction in prices in the North region renewed concerns of a possible breakdown in pricing discipline. Engineering and Autos were down 15.5% and 12.2%MoM respectively on currency devaluation concerns while Banks lost 10.8%MoM on account of a sizable fine on HBL (contributes >7% to the KSE100) by the New York State regulator which added to pressures for the broader index. With interest rate reversal expectations also being pushed-off further on weak inflation readings, Banks were pressed in a tight spot.

### Aug'17: Sector Performance

Telecommunication	-3.3%
Textile	-3.4%
Oil and Gas	-9.2%
Banks	-10.8%
Chemicals	-10.8%
Automobile and Parts	-12.2%
Cement	-16.0%
Pharma	-17.2%

Source: PSX & AKD Research

### KSE100 - Index : Aug'17 Timeline



Source: PSX & AKD Research

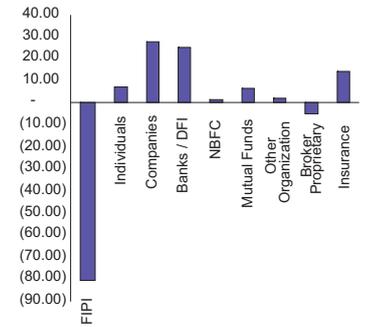
**Volumes:** Trading activity picked up during Aug'17 with average volumes/value (ready market) for the month clocking in at 201.9mn



shares/US\$97.2mn versus 175.4mn shares/US\$91.9mn traded last month. On the plus side, local investors (other than props) encouragingly absorbed (net positive flows) the entire quantum of foreign selling (US\$80.5mn) in Aug'17. On the foreign side, net foreign outflows CYTD net foreign outflows to US\$450mn (Jan-Aug). That said, Corporates (US\$28.0mn), Banks/DFIs (US\$25.4mn) and Insurance companies (US\$14.3mn) remained the largest net buyers on the local front. Additionally, despite facing redemption pressures, local mutual funds recorded a net inflow in Aug'17 (US\$6.7mn) after the sizable sell-off in Jul'17 (US\$30.6mn).

**Investment Perspective:** Domestic political developments (NA-120 by-polls on 17th Sep) and geo-political concerns (developments in the Far East and consequent policy response by the West) are likely to remain major headliners, impacting market's performance in Sep'17. The ongoing earnings season particularly with full year payouts expected in the Oil & Gas sector (E&P) may stimulate market performance. Citing attractive valuations (KSE100 forward P/E at 7.6x, 37% discount to EM) amidst likelihood of pervasive market volatility, we recommend thematic exposure in defensive sectors especially with US\$ linked revenues/profits (Oil & Gas, Electricity, Textiles).

Aug'17: FIPI vs. LIPI



Source: NCCPL & AKD Research



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