



# THE WEEK IN REVIEW

For the period  
September 6, 2021 – September 10, 2021

# Market review for the week

The local equities staged a rebound this week, with the benchmark index breaching the 47,000 mark to close at 47,198 level (↑ 241pts WoW). The MSCI's recent decision on Pakistan's reclassification to Frontier Markets (FM) and an overwhelming response received in the Octopus Digital's book-building generated investor interest in the market. However, concerns related to widening current account deficit, foreign outflows, ongoing rupee rout, and higher commodity prices continued to weigh the market down. The index largely showcased range-bound behavior, moving in a narrow band of around 919pts between 46,307 and 47,226 level. The average trading volumes clocked-in at 429Mn shares (↓ 7% WoW), whereas daily traded value averaged at USD 87Mn (↑ 5% WoW).

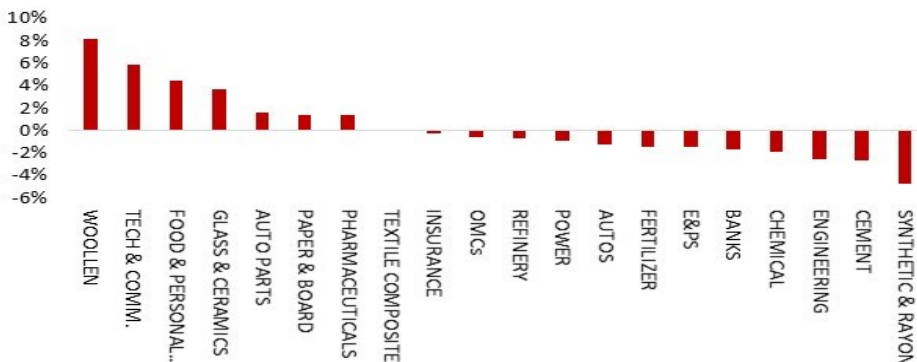
**Concerns related to MSCI decision and downward rupee spiral drove the market activity:** The market remained under pressure in first half of the week ahead of the MSCI's decision on potential reclassification of Pakistan Index from Emerging markets to Frontier markets as it no longer meets the criteria for size and liquidity. Investors were concerned about the continuous slide of PKR against USD (↓ 0.8% WoW) and probable foreign outflows following the MSCI's review later in the week. However, the market had already factored in the announced decision, as evident by the selling witnessed in the early week. The decision is largely a blessing in disguise for the country, as the last time Pakistan was downgraded to frontier markets, it recorded cumulative net inflows of USD 892Mn with KSE-100 index appreciating by 55% over the period from Jun'09 and Feb'11. That helped lift investor sentiments as the index surged by cumulative ~802 points in the past two days.

**Octopus Digital's IPO drives market sentiments:** A major event during the week included the book-building of Octopus Digital's Initial Public Offer (IPO) which received an overwhelming response, concluding with a historically high oversubscription of 27x at a strike price of PKR 40.6/sh. This indicates presence of ample liquidity in the market and investor interest in exploring new stocks with strong fundamental story. On the other hand, cements sector once again witnessed selling pressure due to record-high global coal prices that surpassed USD 150/ton.

**Major data releases which kept the investors engaged included** 1) weekly SBP reserves, which declined by ~0.6% WoW to USD 20.0Bn; 2) remittances data, which showed an increase of 27% YoY to USD 2.7Bn in Aug'21; and 3) Banking deposits statistics for Aug'21, which surged by 2% MoM to PKR 19.2Trn. T-bill auction result was also scheduled this week, wherein the government raised PKR 318Bn against a participation of PKR 605Bn. The cut-off yields remained largely unchanged, except for 6-month bills which recorded a mere increase of 5.1bps, indicating that the policy rate is likely to remain unchanged in the upcoming MPC review.

**Outlook:** We reiterate our long-term positive outlook on the local equities given the potential resumption of IMF program, improving macroeconomic landscape and attractive market valuations. However, near-term volatility in the index cannot be ruled out depending on the geopolitical undercurrent, direction of PKR/USD parity, and the COVID situation in the country. Hence, any short-term corrections should be taken as an opportunity to accumulate positions in Banks, Fertilizers, Steels, Autos, and Technology sectors.

Chart 1: KSE-All share sector-wise performance during the week



Source: PSX, BMA Research

Table 1: PSX weekly snapshot

Index	10-Sep Pts	3-Sep Pts	WoW Pts	WoW %
KSE-100	47,198	46,957	241	0.5%
KSE-All sh.	32,388	32,203	186	0.6%
KSE-30	18,785	18,851	-67	-0.4%
KMI-30	76,996	77,116	-119	-0.2%
KMI-All Sh.	23,382	23,388	-6	0.0%
Oil & Gas	11,872	12,068	-197	-1.6%
Banking	12,673	12,687	-14	-0.1%

Source: PSX

Table 2: PSX weekly trading activity

Index	10-Sep	3-Sep	WoW
<b>KSE-100</b>			
Avg. Vol. (Mn)	126	134	-6.0%
Avg. Val. (PKR Mn)	6,795	6,829	-0.5%
Value (USD Mn)	41	41	-1.1%
M.Cap (PKR Bn)	6,283	6,310	-0.4%
M.Cap (USD Bn)	37	38	-1.1%

**KSE-All sh.**

Avg. Vol. (Mn)	429	462	-7.1%
Avg. Val. (PKR Mn)	14,544	13,804	5.4%
Value (USD Mn)	87	83	4.8%
M.Cap (PKR Bn)	8,255	8,241	0.2%
M.Cap (USD Bn)	49	49	-0.5%

Source: PSX

Table 3: PSX other activity

Desc.	10-Sep	3-Sep	WoW
<b>Futures Activity</b>			
Avg. Vol (Mn)	118	125	-5.0%
Avg. Val (PKR Mn)	5,074	4,629	9.6%
<b>NDM Transactions</b>			
Volume (Mn)	84	40	110.8%
Value (PKR Mn)	8,156	1,397	483.8%
Value (USD Mn)	49	8	479.2%

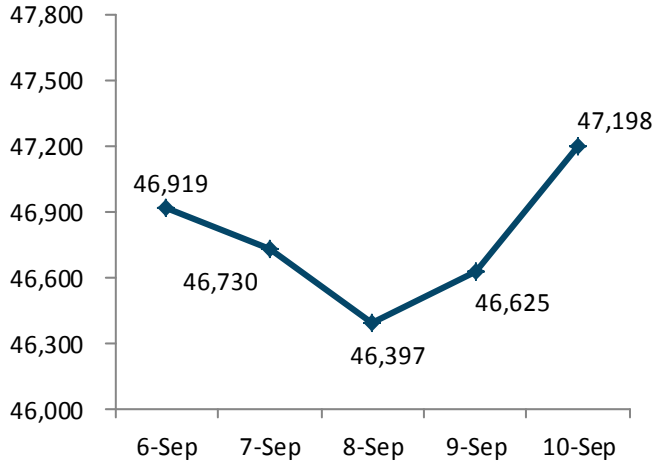
Source: PSX

BMA Research (REP-005)

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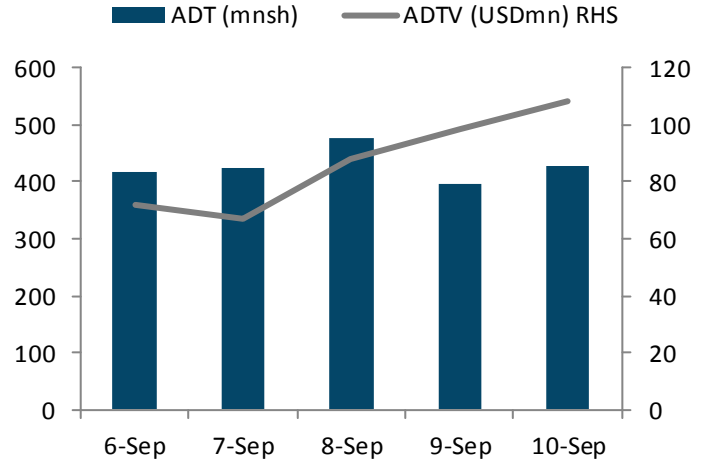
# Key market charts for the week

Chart 2: KSE-100 weekly trend (closing index)



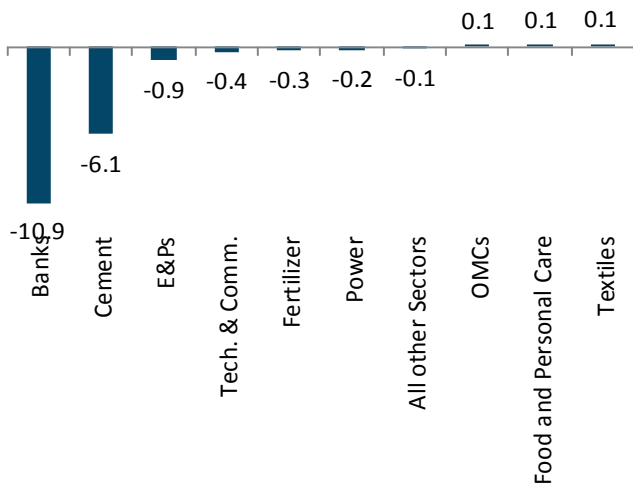
Source: PSX, BMA Research

Chart 3: KSE-All sh. market participation



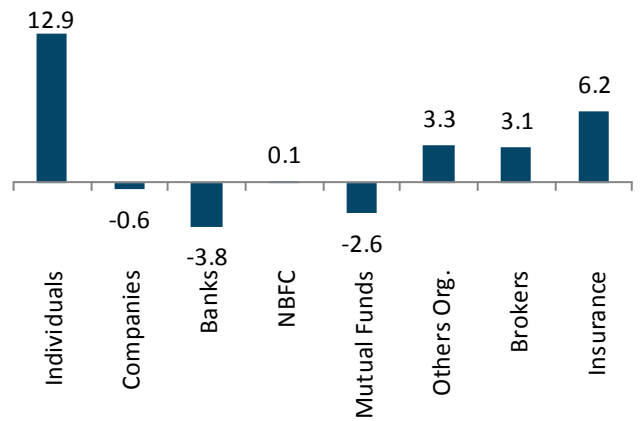
Source: PSX, BMA Research

Chart 4: FIPI Sector-wise flows (USD Mn)



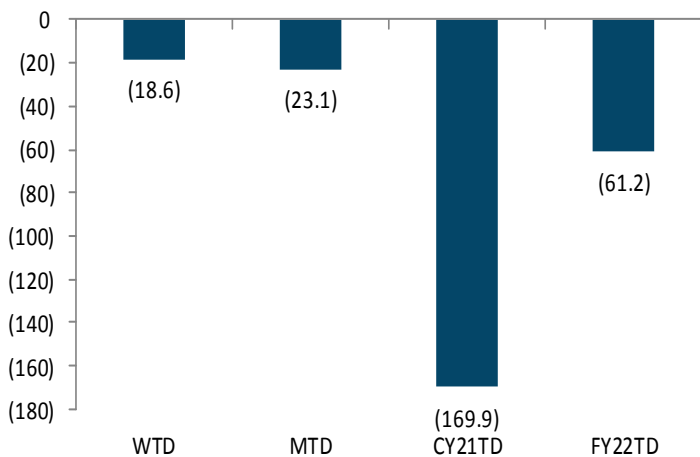
Source: PSX, BMA Research

Chart 5: LIPI net flows (USD Mn)



Source: PSX, BMA Research

Chart 6: Net FIPI position (USD Mn)



Source: PSX, BMA Research

Table 4: KSE-100 top 5 gainers & losers

Gainers	
PSEL	31.3%
FABL	20.2%
AGP	15.0%
NESTLE	12.8%
MEBL	11.7%
Losers	
YOUW	-22.8%
HCAR	-9.1%
HGFA	-7.9%
PSX	-6.7%
SCBPL	-6.0%

Source: PSX, BMA Research

# Key market news for the week

## [FATF challenge: Developers, builders under focus](#)

Directorate General of Designated Non-Financial Business and Professions (DNFBPs) will continue inspections of developers and builders to ensure their compliance with the requirements of the Financial Action Task Force (FATF)...[read more](#)

## [Downgrade by global index provider could be boon for Pakistani equities](#)

Brokerages expect an increase in foreign investment in equities should the MSCI, a global index provider, decide to downgrade Pakistan from the emerging market (EM) index to the frontier market (FM) index in its September 7 announcement...[read more](#)

## [PKR slide: Afghanistan situation key factor](#)

The cessation of \$5 to \$7 million daily inflow from Afghanistan to Pakistan subsequent to the Taliban takeover, the \$1.5 to \$2 million outflow from Pakistan to Afghanistan as Afghans remit money to their families back home with the Afghan banking channels suspended...[read more](#)

## [Cement sector posts 22.77pc growth YoY](#)

The cement sector posted a growth of 22.77 percent in August 2021 as total cement despatches during the said month were recorded at 4.336 million tons against 3.531 million tons during the same month of last fiscal year...[read more](#)

## [Back to the 'smaller pond': MSCI to reclassify Pakistan as Frontier Market](#)

Pakistan was downgraded from its status as an emerging market, a little over four years after it was reclassified from the Frontier Markets (FM) Index by Morgan Stanley Capital International (MSCI). The announcement, made early Wednesday morning, will not surprise market followers, however, that expected the decision after MSCI...[read more](#)

## [OGDC discovers gas, condensate in KP](#)

Oil and Gas Development Company (OGDC) being the operator of Wali Exploration Licence with 100 percent working interest has made a gas and condensate discovery over Hangu Formation from its exploratory efforts at Wali#01 well which is located in FR Lakki, Khyber Pakhtunkhwa...[read more](#)

## [RDA inflows reach \\$2.114bln in 11 months](#)

Foreign exchange inflows through Roshan Digital Account (RDA) reached \$2.114 billion in 11 months, helping strengthen the country's external sector. RDA has connected 220,806 expatriate Pakistanis with the country's banking system since its launch in September last year...[read more](#)

## [Pakistan complies with 35 FATF's recommendations: APG](#)

Pakistan has made significant progress in addressing the technical compliance deficiencies identified earlier in its Mutual Evaluation Report (MER)...[read more](#)

## [Kamyab Pakistan Programme: IMF flashlight likely to cast a bright beam](#)

The Kamyab Pakistan Programme (KPP), a flagship programme of the present government, would be part of the discussions, among other things, with the Pakistani authorities during the upcoming review on \$6 billion Extended Fund Facility (EFF) programme with International Monetary Fund (IMF)...[read more](#)

## [Octopus Digital going public: First tech IPO in 7 years](#)

Octopus Digital is going for its Initial Public Offering (IPO) this month marking the first tech IPO in last 7 years...[read more](#)

## [IMF for more cautious approach to structural reforms](#)

The Independent Evaluation Office (IEO) of the International Monetary Fund (IMF) stated that case studies highlight the need for more cautious assumptions on feasibility and growth payouts of structural reforms in Pakistan...[read more](#)

## [Taliban announce interim government; Mohammad Hasan Akhund to be PM, Baradar deputy PM](#)

Taliban spokesperson Zabihullah Mujahid on Tuesday announced 33 members of the "acting" government, saying that it will be led by Mohammad Hasan Akhund while the group's co-founder Abdul Ghani Baradar will be the deputy Afghan leader...[read more](#)

## Our research notes this week

### Fauji Cement Company Limited: 4QFY21 - Result Review

Fauji Cement Company Limited (FCCL) announced its 4QFY21 results today, posting PAT of PKR 860Mn (EPS: PKR 0.62), down 15% QoQ. The company's FY21 earnings clocked-in at PKR 3.5Bn (EPS: PKR 2.52), compared to a loss of PKR 59Mn (LPS: PKR 0.04) in the previous year...[read more](#)

### Descon Oxychem Limited - 4QFY21 Earnings Review: Cost pressures kept earnings in check

Descon Oxychem Limited (DOL) announced its FY21 result today, posting below-expected PAT of PKR 279Mn, down 33% YoY. During 4QFY21 alone, the company announced disappointing earnings of PKR 43Mn, down 71/67% YoY/QoQ. Despite improved demand for Hydrogen Peroxide (H2O2) from the textile sector, increase in RLNG prices and higher finance costs kept the profitability in check. Along with the result, the company also announced a final dividend of PKR 1.0 per share...[read more](#)

### Pakistan Banking Sector - Monthly Banking deposits - Aug'21 growth trends strong at 17.6% YoY

Deposit growth maintained its upward momentum having shot up by 17.6% YoY in Aug'21 to settle at PKR 19.2Trn. On a sequential basis, there was an increase of 2.0% in Aug'21, amounting to PKR 368Bn in absolute terms. Advances underwent an 11.0% YoY increase to settle at PKR 8.9Trn as economy continued its growth trajectory. However, deposits growth surpassed advances growth resulting into a lower Aug'21 ADR of 46.5% compared to 47.1% recorded last month, and 49.3% in Aug'20. Due to weaker lending growth, excess liquidity was parked primarily in federal government securities with investments soaring to PKR 13.9Trn in Aug-21, that increased by 27.9% YoY to pull ADR to 72.4%...[read more](#)



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Buy	>15% expected total return
Hold	10%-15% expected total return
Underperform	<10% expected total return
*Total stock return = capital gain + dividend yield	

### Old rating system

Overweight	Total sector return > expected market return
Marketweight	Expected market return
Underweight	Total stock return < expected market return

## Valuation Methodology

To arrive at our period end target prices, BMA Capital uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)