



# THE WEEK IN REVIEW

For the period  
September 20, 2021 – September 24, 2021

# Market review for the week

Friday, September 24, 2021

Equities at the local bourse slumped across the board on investor concerns about free-falling rupee, surging current account deficit, and the central bank's decision to roll back monetary stimulus. The index witnessed a volatile ride throughout the week, oscillating between a high and a low of 46,834pts and 44,788pts, respectively. Barely clinging on to the 45,000 level, the market closed at 45,074 points, down 3.4% WoW. The average traded volumes clocked-in at 384Mn shares (↓ 4% WoW), whereas daily traded value averaged at USD 73Mn (↓ 18% WoW).

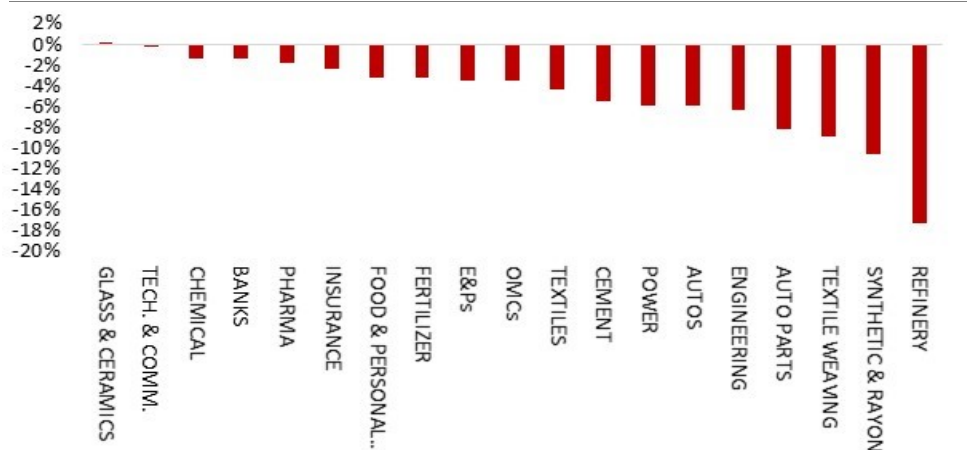
**Stocks extended losses amidst uncertainty on macroeconomic level:** The week opened on a bearish note ahead of the monetary policy announcement and security concerns following New Zealand cricket team's withdrawal and England's decision to cancel their tour. Along with the central bank's hawkish monetary policy stance where they decided to raise the interest rate by 25bps to 7.25%, ballooning current account deficit and continuous downward slide in PKR against USD (currently near ~PKR 169.4, ↓ 0.5% WoW) also added to investor woes. Additionally, the uncertainty over the IMF meeting to be held next month and the ongoing rollover week further created pressure in the market.

**Higher commodity prices and global equity rout weighed on local market sentiments:** The cement sector once again witnessed selling owing to higher international coal prices (near USD 165/ton) and a hike in the borrowing rate. On the other hand, local investors were also unnerved by the faltering global equities following the Chinese property giant, Evergrande Group's crisis, which the market participants feared could morph into another Lehman Brothers debacle.

**Major data releases during the week included:** 1) SBP reserves, which fell by USD 479Mn to USD 19.5Bn (↓ 2.5% WoW); 2) total loans to private sector for Aug'21, which surged to ~PKR 6.6Trn (↑ 11/1% YoY/MoM); 3) Foreign direct investment (FDI) for Aug'21, which fell to ~USD 113Mn, down 10% YoY; and 4) Fertilizer sales for the month of Aug'21, wherein the Urea offtake surged 13% YoY to 0.65Mn tons and DAP offtake dropped by 37% YoY to 0.19Mn tons. The T-Bills auction results were also announced during the week in which the government raised ~PKR 0.7Trn (PKR 690/41Bn in 3/6-month bills) against a decent participation of ~PKR 1.1Trn (PKR 842/231Bn in 3/6-month bills). The cut-off yields increased by more than 40bps for 3- and 6-month bills, indicating market expectations of further monetary tightening going forward. On the other hand, all the bids for 12-month bills were rejected.

**Outlook:** We maintain our long-term favorable outlook on local equities given the potential resumption of IMF program and attractive market multiples. However, the index may continue to remain under pressure in the near-term on account of depreciating PKR against the greenback, reversal in monetary stimulus, and uncertainty on macroeconomic level. Hence, any short-term corrections should be taken as an opportunity to accumulate positions in Banks, Fertilizers, Steels, and Technology sectors.

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



Source: PSX, BMA Research

Table 1: PSX weekly snapshot

Index	24-Sep Pts	17-Sep Pts	WoW Pts	WoW %
KSE-100	45,074	46,636	-1,563	-3.4%
KSE-All sh.	30,778	32,010	-1,232	-3.9%
KSE-30	17,742	18,480	-738	-4.0%
KMI-30	71,904	74,816	-2,912	-3.9%
KMI-All Sh.	21,927	22,864	-937	-4.1%
Oil & Gas	11,132	11,504	-371	-3.2%
Banking	12,549	12,727	-178	-1.4%

Source: PSX

Table 2: PSX weekly trading activity

Index	24-Sep	17-Sep	WoW
<b>KSE-100</b>			
Avg. Vol. (Mn)	151	149	1.1%
Avg. Val. (PKR Mn)	7,230	8,576	-15.7%
Value (USD Mn)	43	51	-15.9%
M.Cap (PKR Bn)	5,947	6,165	-3.5%
M.Cap (USD Bn)	35	37	-4.0%
<b>KSE-All sh.</b>			
Avg. Vol. (Mn)	384	400	-4.2%
Avg. Val. (PKR Mn)	12,379	15,084	-17.9%
Value (USD Mn)	73	90	-18.1%
M.Cap (PKR Bn)	7,831	8,135	-3.7%
M.Cap (USD Bn)	46	48	-4.3%

Source: PSX

Table 3: PSX other activity

Desc.	24-Sep	17-Sep	WoW
<b>Futures Activity</b>			
Avg. Vol (Mn)	322	117	176.3%
Avg. Val (PKR Mn)	12,079	5,827	107.3%
<b>NDM Transactions</b>			
Volume (Mn)	64	192	-66.8%
Value (PKR Mn)	1,909	6,780	-71.8%
Value (USD Mn)	11	40	-71.9%

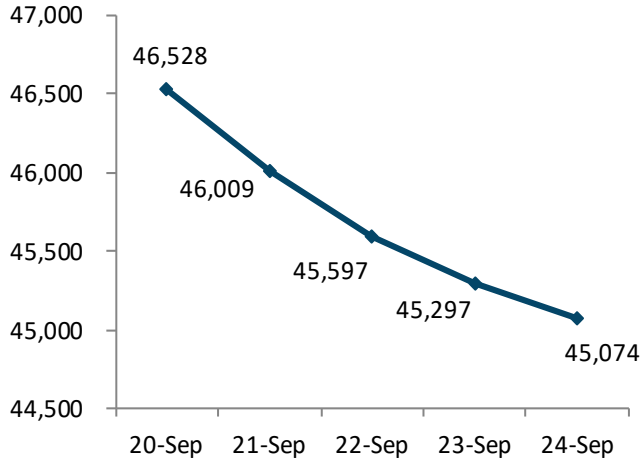
Source: PSX

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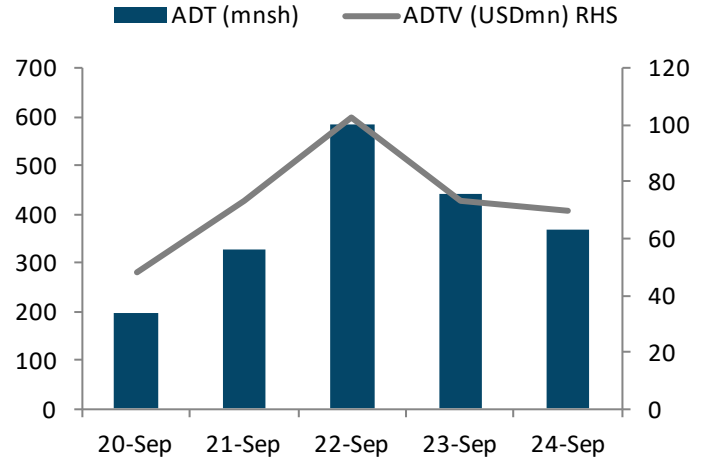
# Key market charts for the week

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



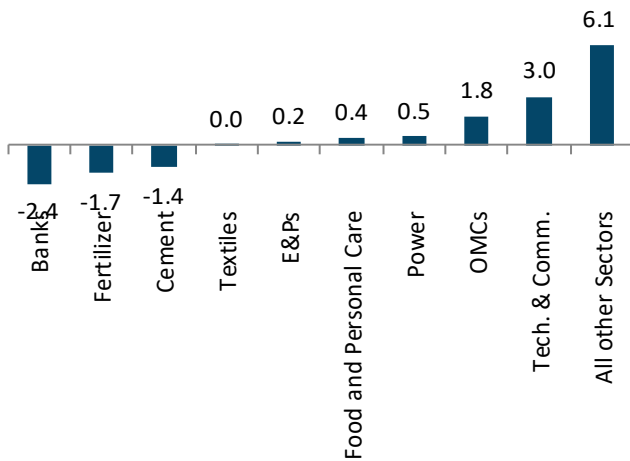
Source: PSX, BMA Research

Chart 3: KSE-All sh. market participation



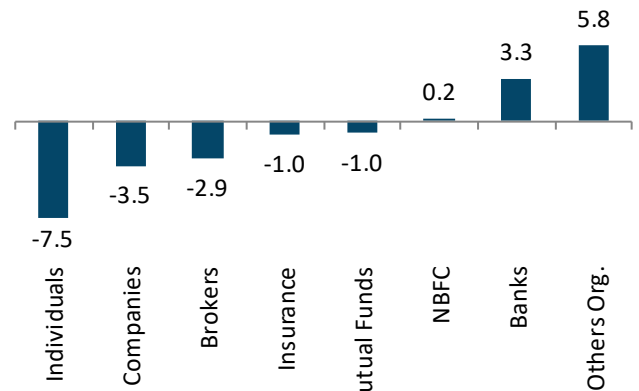
Source: PSX, BMA Research

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



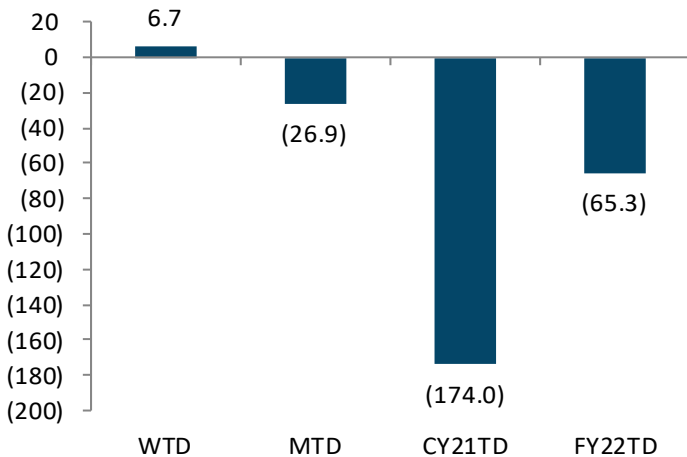
Source: NCCPL, BMA Research

Chart 5: LIPI net flows (USD Mn)



Source: NCCPL, BMA Research

Chart 6: Net FIPI position (USD Mn)



Source: NCCPL, BMA Research

Table 4: KSE-100 top 5 gainers & losers

Gainers	
PSEL	6.6%
SCBPL	4.9%
SNGP	4.1%
ARPL	3.4%
BAFL	2.8%
Losers	
YOUW	-19.9%
NRL	-19.6%
ATRL	-16.7%
ANL	-16.4%
BYCO	-15.4%

Source: PSX, BMA Research

# Key market news for the week

## [FBR to get operational, financial autonomy: Tarin \(Neutral\)](#)

The government is fully committed to granting operational and financial autonomy to the Federal Board of Revenue (FBR) to rule out the possibility of political interference...[read more](#)

## [FDI falls 20% to \\$203m in Jul-Aug \(Negative\)](#)

Foreign direct investment (FDI) in different sectors of Pakistan's economy fell 20.3% to \$203.1 million in the first two months (July-August) of the ongoing fiscal year largely due to global travel disruptions and the volatile political situation in Afghanistan...[read more](#)

## [CAD, inflation: Interest rate hiked by 25 bps to 7.25pc \(Negative\)](#)

The Monetary Policy Committee (MPC) of the State Bank of Pakistan (SBP) has announced to raise the key policy rate by 25 basis points (bps) to 7.25 percent to curtail the rising current account deficit and higher inflation expectations...[read more](#)

## [Fitch Solutions sees real GDP growth at 4.2pc \(Neutral\)](#)

Pakistan's economy is expected to record real GDP growth of 4.2 percent in the fiscal year 2021-22, up from 3.9 percent in fiscal year 2020-21, says Fitch Solutions. "We note that improving vaccination rates will buoy private consumption growth...[read more](#)

## [Pakistan ready to issue new international Sukuk as soon as Oct \(Neutral\)](#)

Pakistan has planned to raise upto \$1.5 billion with an international issue of Islamic bonds as soon as October to bolster finances hit by the coronavirus pandemic, officials said on Monday...[read more](#)

## [After NZ shock, England 'reluctantly' withdraw from Pakistan tour \(Negative\)](#)

The England Cricket Board announced on Monday that it was withdrawing both its men's and women's teams from their tour of Pakistan scheduled for next month...[read more](#)

## [Cotton arrivals surge 160pc \(Positive\)](#)

A positive trend in cotton production has been witnessed this year with over 2.69 million bales reaching ginning mills so far — representing nearly 160 per cent higher arrivals — against 1.04m bales last year, the Ministry of National...[read more](#)

## [EU extends GSP plus status with six new Conventions \(Positive\)](#)

The European Union (EU) on Wednesday extended General System of Preferences (GSP) plus status for Pakistan, with six new Conventions...[read more](#)

## [ADB sees Pakistan on 'path of recovery' \(Positive\)](#)

Pakistan's economic growth rebounded to 3.9 percent in fiscal year 2021 (ending 30 June 2021) and is expected to reach four percent in fiscal year 2022 as business activity gradually resumes in the second year of the coronavirus disease (Covid-19) pandemic, says the Asian Development Bank (ADB)...[read more](#)

## [Power sector to take centre stage in IMF talks \(Positive\)](#)

Federal Minister for Information Fawad Chaudhry said on Tuesday that the next general election would be held after seventh population census and new demarcation of constituencies...[read more](#)

## [Cut-off yield hiked by up to 49bps in first T-bills auction after interest rate rise \(Neutral\)](#)

Cut-off yields on treasury bills were increased by up to 49 basis points in the auction held on Wednesday — the first such big increase during the last 15 months — while most of the bids were received for short-term three-month papers...[read more](#)

## [Pakistan, China agree not to alter tariff on power deals \(Neutral\)](#)

Pakistan and China on Thursday agreed to keep unchanged the tariff and tax policies relating to power sector contracts and arrest and prosecute the attackers of July 14 Dasu bus tragedy at the earliest. The decision was taken at a meeting...[read more](#)

## [Duties, taxes on import of steel scrap slashed \(Neutral\)](#)

Federal government has decided to slash duties and taxes on import of steel scrap aimed at extending support to construction industry. The price of steel has increased to Rs 180, 000 per ton due to...[read more](#)

## [Consumer financing: SBP revises PRs to moderate import, demand growth \(Negative\)](#)

The State Bank of Pakistan (SBP) Thursday announced revision in Prudential Regulations (PRs) for consumer financing to moderate import and demand growth. As per revised regulations, the maximum tenure of the auto finance facility...[read more](#)

## Our research notes this week

### **Monetary Policy** : Stimulus rollback begins—SBP hikes Policy Rate by 25bps

Against our expectations of another status quo in yesterday's monetary policy meeting, the Monetary Policy Committee (MPC) of the SBP decided to hike rates by 25bps, hinting the start of a stimulus rollback period in upcoming MPCs. Citing stronger than expected pick-up in domestic demand and higher than expected current account deficit (CAD) driven by rising imports, SBP decided to put a check on consumption instead of waiting for commodity prices to turn the corner...[read more](#)

### **Pakistan Fertilizer Sector** : Fertilizer offtake showcased a mixed trend in Aug'21

As per the latest numbers released by NFDC, urea offtake recorded an increase of 13% YoY to clock-in at 0.65Mn tons in Aug'21 mainly on account of better farm economics and seasonality factor. Resultantly, urea inventory levels closed at 0.19Mn tons at month end, which is relatively lower compared to 0.31Mn tons in the SPLY. On the other hand, DAP offtake declined by 37% YoY to 0.19Mn tons primarily owing to pre-buying by dealers due to surging local prices. The local DAP prices continued their upward trend with a hike of more than PKR 700/bag last month, taking current prices to over PKR 6,500/bag. Cumulatively, urea offtake surged by 9% YoY to 4.2Mn tons in 8MCY21 whereas DAP sales dropped by 14% YoY to 0.98Mn tons...[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.)