



THE WEEK IN REVIEW

For the period
September 27, 2021 – October 1, 2021

Market review for the week

Pakistan Equities once again witnessed a bumpy ride this week as the index wrestled between a high and a low of 45,342pts and 43,972pts, respectively. Concerns on the foreign policy front, consistent PKR slippage and higher global commodity prices continued to weigh in on investor sentiments. After witnessing highly volatile trading sessions, the index concluded the week at 44,872 level, down 202pts (or 0.4% WoW). The average traded volumes clocked-in at 355Mn shares (↓ 8% WoW), whereas daily traded value averaged at USD 76Mn (↑ 3% WoW).

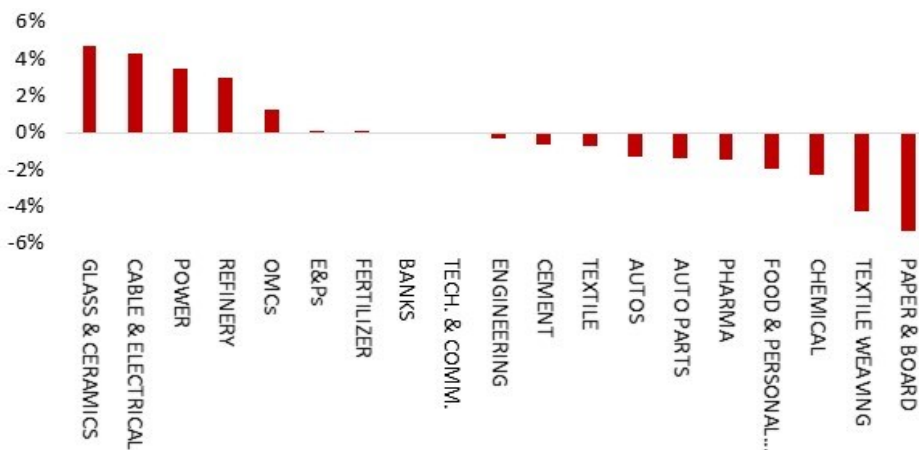
Macroeconomic and foreign policy concerns led to market volatility: The week opened on a bearish note, with the market down by nearly ~256pts on Monday, as concerns over ongoing macroeconomic uncertainty and free-falling rupee (PKR 170.7, ↓ 1.0% WoW) kept investors wary of taking fresh positions. Moreover, on the foreign policy front, speculations over the potential impact of U.S. announced sanctions on Taliban and its supporters kept investors worried about the fate of the country's relations with the U.S. However, the government's approval of PKR 131Bn payment to IPPs under Power Policy 2002 and easing tensions ahead of the upcoming IMF review slightly neutralized the selling pressure towards the end of the week.

Global energy crunch and higher commodity prices added to investor woes: During the week, the cement sector once again managed to garner investor attention as international coal prices crossed USD 190/ton. However, the news of local cement players increasing the prices to pass on the impact to a certain extent provided some much-needed breathing space. On the other hand, surging global commodity prices owing to the energy crunch in Europe and China continued to worry market participants, who were concerned about the spillover effects on the local industries.

Major news during the week which kept investors engaged included: 1) SBP reserves fell by USD 249Mn to USD 19.3Bn (↓ 1.3% WoW); 2) As per provisional estimates, exports grew by 27% YoY to ~USD 7.0Bn, whereas imports jumped by 60% YoY to ~USD 18.0Bn during 1QFY22; 3) FBR surpassed its revenue collection target for 1QFY22 by PKR 186Bn to PKR 1.4Trn, up 38% YoY; and 4) Hike in petrol prices by PKR 4.0/litre to PKR 127.3/litre due to increase in international oil price and adverse exchange rate movement.

Outlook: Our long-term positive view of local equities remains intact given the potential resumption of IMF program and cheap market valuations. However, the index may remain under pressure in the near-term on account of depreciating PKR against the greenback, global commodity super-cycle, reversal in monetary stimulus, and uncertainty on the macroeconomic and geopolitical fronts. 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	1-Oct	24-Sep	WoW	WoW
	Pts	Pts	Pts	%
KSE-100	44,872	45,074	-202	-0.4%
KSE-All sh.	30,694	30,778	-84	-0.3%
KSE-30	17,608	17,742	-134	-0.8%
KMI-30	72,203	71,904	299	0.4%
KMI-All Sh.	21,842	21,927	-85	-0.4%
Oil & Gas	11,238	11,132	106	0.9%
Banking	12,350	12,549	-199	-1.6%

Source: PSX

Table 2: PSX weekly trading activity

Index	1-Oct	24-Sep	WoW
KSE-100			
Avg. Vol. (Mn)	174	151	15.6%
Avg. Val. (PKR Mn)	8,722	7,230	20.6%
Value (USD Mn)	51	43	19.6%
M.Cap (PKR Bn)	5,974	5,947	0.5%
M.Cap (USD Bn)	35	35	-0.4%
KSE-All sh.			
Avg. Vol. (Mn)	355	384	-7.5%
Avg. Val. (PKR Mn)	12,876	12,379	4.0%
Value (USD Mn)	76	73	3.1%
M.Cap (PKR Bn)	7,808	7,831	-0.3%
M.Cap (USD Bn)	46	46	-1.1%

Source: PSX

Table 3: PSX other activity

Desc.	1-Oct	24-Sep	WoW
Futures Activity			
Avg. Vol (Mn)	118	322	-63.5%
Avg. Val (PKR Mn)	5,218	12,079	-56.8%
NDM Transactions			
Volume (Mn)	116	64	82.5%
Value (PKR Mn)	3,856	1,909	102.0%
Value (USD Mn)	23	11	100.2%

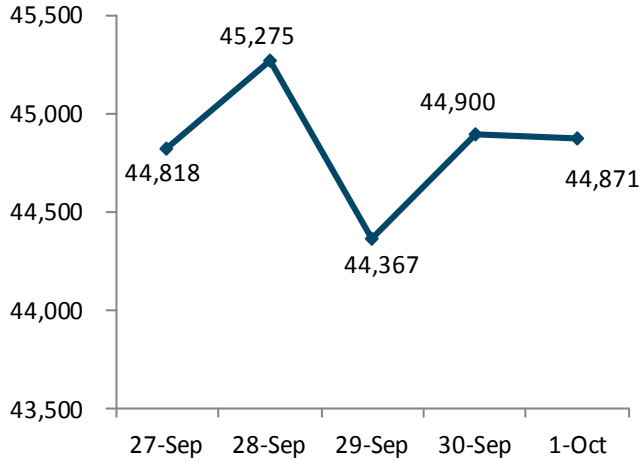
Source: PSX

BMA Research (REP-005)

E-mail: research@bmacapital.com

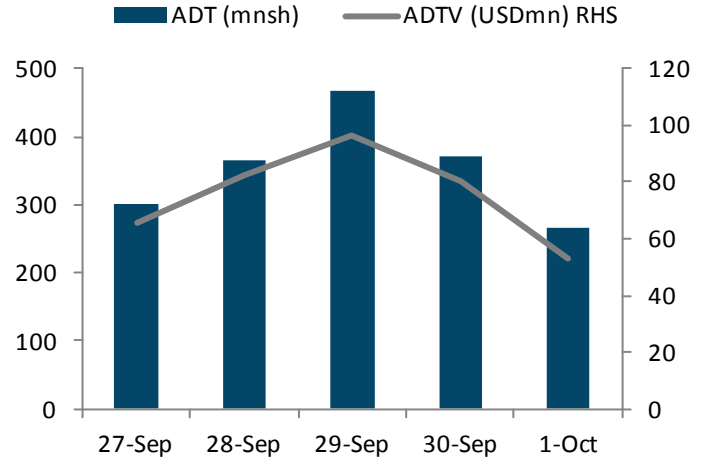
Key market charts for the week

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



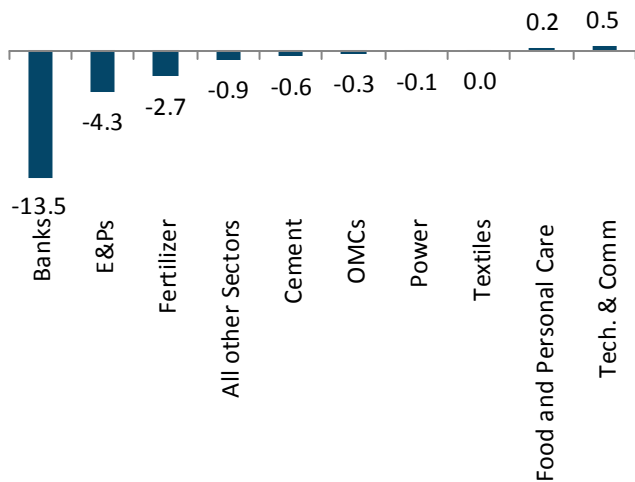
Source: PSX, BMA Research

Chart 3: KSE-All sh. market participation



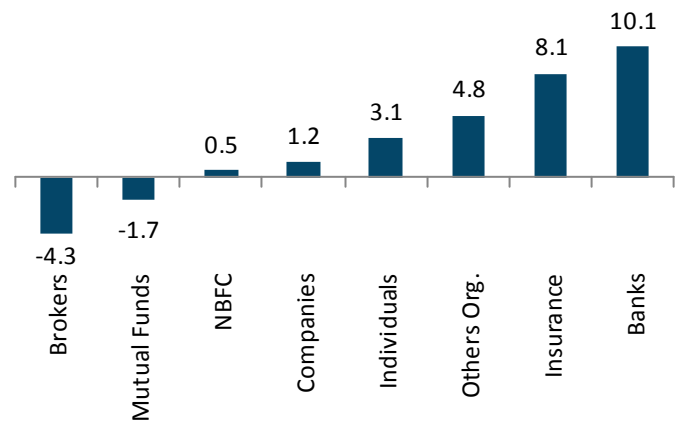
Source: PSX, BMA Research

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



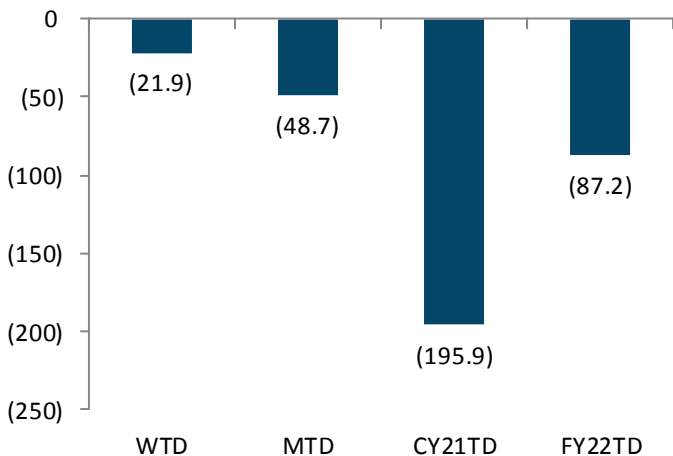
Source: NCCPL, BMA Research

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	
KEL	11.3%
HASCOL	8.8%
BYCO	8.5%
SNGP	6.9%
ANL	6.1%
Losers	
CEPB	-11.8%
ATLH	-7.7%
PIOC	-7.5%
PUNO	-6.5%
SHFA	-6.3%

Source: PSX, BMA Research

Key market news for the week

[Govt to intervene in market to reduce food prices: Tarin \(Positive for inflation\)](#)

At a time when inflation is hitting all segments of society, Finance Minister Shaukat Tarin says the government has decided to intervene in the market to partially reduce prices of essential food items, including sugar, flour and pulses...[read more](#)

[Up to 35pc hike in gas prices proposed \(Negative\)](#)

The Petroleum Division on Saturday proposed an increase in gas prices by 35% for domestic consumers. The sources added that no increase in gas price has been proposed for consumers falling under the first two slabs...[read more](#)

[Paris Club extends debt payment deadline \(Positive\)](#)

The Paris Club of creditor countries said on Friday it was giving Pakistan another extension to service its debt so that it can dedicate its resources to combating the Covid pandemic. The country has until December to make the payment, the club said in a statement, without releasing a figure...[read more](#)

[US says aid can flow into Taliban country \(Positive\)](#)

The US Treasury Department Friday said it had issued two general licences, one allowing the US government, NGOs and certain international organisations, including the United Nations, to engage in transactions with the Taliban or Haqqani Network – both under sanctions – that are necessary to provide humanitarian assistance...[read more](#)

[IMF assured of Pakistan's commitment to programme \(Neutral\)](#)

Finance Minister Shaukat Tarin on Monday assured the International Monetary Fund (IMF) of Pakistan's commitment to its ongoing Extended Fund Facility (EFF) programme and hoped to successfully complete the upcoming review as well as Article IV consultations...[read more](#)

[Three major roads: Govt to raise Rs100bn thru sukuk auction \(Positive\)](#)

The federal government will raise Rs100 billion through auction of Ijarah Sukuk against three identified assets including Islamabad-Peshawar highway, Pindi Bhattian-Faisalabad motorway and Hassanabdal-Mansehra highway...[read more](#)

[THE RUPEE: PKR: a new all-time low \(Negative\)](#)

Pakistan's rupee ended at 169.97 against the US dollar in the inter-bank market on Tuesday, a new all-time low as the currency's slide continued to rattle the market as well as policymakers...[read more](#)

[Urban areas bear the brunt of 'imported' inflation \(Neutral\)](#)

The government has admitted price hike in the urban areas but described it as "imported" inflation owing to increase in oil and other commodities' prices in the global market, adding that the situation in rural economy has been relatively better...[read more](#)

[Rising world commodity prices, Covid variants: MoF highlights downside risks to economic outlook \(Neutral\)](#)

The Finance Ministry has highlighted that there are some downside risks to the outlook of economy associated with rising international commodity prices, new variants of virus, and geopolitical dynamics especially emerged post-August 15...[read more](#)

[FO rejects references to Pakistan in draft US legislation \(Neutral\)](#)

The Foreign Office on Wednesday reminded the US of the importance of continued security cooperation with Pakistan and said a legislation introduced in the US Senate for sanctioning Afghan Taliban and their foreign backers was detrimental...[read more](#)

[Accord reached for another Saudi oil facility: Tarin \(Positive\)](#)

With prices of petroleum products set to increase on Thursday (today), Finance Minister Shaukat Tarin has disclosed that an agreement for another Saudi oil facility on deferred payments has been reached and would be formally announced...[read more](#)

[Petrol price may rise by Rs5.25 per litre from Oct 1 \(Negative for inflation\)](#)

The price of petrol is expected to increase by Rs5.25 per litre from October 1, sources said Wednesday, citing a proposal sent by the Oil and Gas Regulatory Authority (Ogra) to the Finance Division...[read more](#)

[Pakistani company Systems Ltd makes it to Forbes 'under \\$1bn' list for second year in a row \(Positive\)](#)

Lahore-based information technology company Systems Limited has been included in the Forbes list of Asia's Best Under A Billion for the second year in a row...[read more](#)

Our research notes this week

Sitara Peroxide Limited - 4QFY21 Earnings Review - Higher input costs dented profitability

Sitara Peroxide Limited (SPL) announced its FY21 result today, posting below-expected earnings of PKR 35Mn (EPS: PKR 0.6), down 53% YoY. During 4QFY21 alone, the company recorded a loss of PKR 86Mn (LPS: PKR 1.6) as against a profit of PKR 83Mn (EPS: PKR 1.5) and PKR 24Mn (EPS: PKR 0.4) in 4QFY20 and 3QFY21, respectively. Despite better downstream demand for hydrogen peroxide (H2O2) from the textile sector, lower H2O2 prices and higher cost pressures kept the earnings in check...[read more](#)

Pioneer Cement Limited: 4QFY21 Result Review

Pioneer Cement Limited (PIOC) reported its FY21 result today, posting bottom-line of PKR 2.0Bn (EPS: PKR 8.69), compared to a loss of PKR 210Mn (LPS: PKR 0.92) in the SPLY. For 4QFY21, the company reported a PAT of PKR 681Mn (EPS: PKR 3.00), $\uparrow 117/\downarrow 1\%$ YoY/QoQ. The improvement in annual performance was primarily based on higher cement bag prices ($\uparrow 8\%$ YoY) and greater dispatches ($\uparrow 95\%$ YoY) due to increased demand from the domestic market. The results were above our estimations...[read more](#)

Disclaimer

This research report is for information purposes only and does not constitute nor is it intended as an offer or solicitation for the purchase or sale of securities or other financial instruments. Neither the information contained in this research report nor any future information made available with the subject matter contained herein will form the basis of any contract. Information and opinions contained herein have been compiled or arrived at by BMA Capital Management Limited from publicly available information and sources that BMA Capital Management Limited believed to be reliable. Whilst every care has been taken in preparing this research report, no research analyst, director, officer, employee, agent or adviser of any member of BMA Capital Management Limited gives or makes any representation, warranty or undertaking, whether express or implied, and accepts no responsibility or liability as to the reliability, accuracy or completeness of the information set out in this research report. Any responsibility or liability for any information contained herein is expressly disclaimed. All information contained herein is subject to change at any time without notice. No member of BMA Capital Management Limited has an obligation to update, modify or amend this research report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. Furthermore, past performance is not indicative of future results.

The investments and strategies discussed herein may not be suitable for all investors or any particular class of investor. Investors should make their own investment decisions using their own independent advisors as they believe necessary and based upon their specific financial situations and investment objectives when investing. Investors should consult their independent advisors if they have any doubts as to the applicability to their business or investment objectives of the information and the strategies discussed herein. This research report is being furnished to certain persons as permitted by applicable law, and accordingly may not be reproduced or circulated to any other person without the prior written consent of a member of BMA Capital Management Limited. This research report may not be relied upon by any retail customers or person to whom this research report may not be provided by law. Unauthorized use or disclosure of this research report is strictly prohibited. Members of BMA Capital Management and/or their respective principals, directors, officers and employees may own, have positions or effect transactions in the securities or financial instruments referred herein or in the investments of any issuers discussed herein, may engage in securities transactions in a manner inconsistent with the research contained in this research report and with respect to securities or financial instruments covered by this research report, may sell to or buy from customers on a principal basis and may serve or act as director, placement agent, advisor or lender, or make a market in, or may have been a manager or a co-manager of the most recent public offering in respect of any investments or issuers of such securities or financial instruments referenced in this research report or may perform any other investment banking or other services for, or solicit investment banking or other business from any company mentioned in this research report. Investing in Pakistan involves a high degree of risk and many persons, physical and legal, may be restricted from dealing in the securities market of Pakistan. Investors should perform their own due diligence before investing. No part of the compensation of the authors of this research report was, is or will be directly or indirectly related to the specific recommendations or views contained in the research report. By accepting this research report, you agree to be bound by the foregoing limitations.

BMA Capital Management Limited and / or any of its affiliates, which operate outside Pakistan, do and seek to do business with the company(s) covered in this research document. Investors should consider this research report as only a single factor in making their investment decision. BMA Research Policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer/company prior to the publication of a research report containing such rating, recommendation or investment thesis.

Stock Rating

Investors should carefully read the definitions of all rating used within every research reports. In addition, research reports carry an analyst's independent view and investors should ensure careful reading of the entire research reports and not infer its contents from the rating ascribed by the analyst. Ratings should not be used or relied upon as investment advice. An investor's decision to buy, hold or sell a stock should depend on said individual's circumstances and other considerations. BMA Capital Limited uses a three tier rating system: i) Buy, ii) Neutral and iii) Underperform (new rating system effective Jan 1'18) with our rating being based on total stock returns versus BMA's index target return for the year. A table presenting BMA's rating definitions is given below:

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.)