



THE WEEK IN REVIEW

For the period
October 4, 2021 – October 8, 2021

Market review for the week

Friday, October 8, 2021

Equities at the local bourse witnessed another week of volatile trading sessions, with the index wrestling between a high and a low of 45,105pts and 44,284pts, respectively, to conclude at 44,477 level (↓ 394pts or 0.9% WoW). The market, once again, succumbed to concerns related to surging commodity prices, depreciating PKR, upcoming IMF talks, and foreign selling on account of MSCI reclassification to Frontier Markets (FM). Consequently, the average traded volumes continued to remain low at 265Mn shares (↓ 25% WoW), whereas daily traded value also dropped to USD 60Mn (↓ 21% WoW).

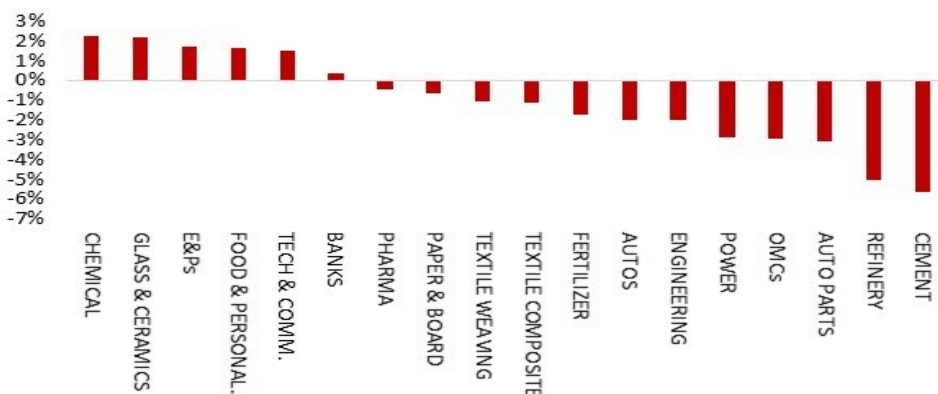
Stocks caved into the IMF worries, devaluing PKR, and foreign selling: Local equities once again remained under selling pressure during the week as investors were wary on account of continued depreciation of PKR/USD parity, which climbed to its highest ever level of PKR 170.9/USD during the week. On the other hand, foreign selling continued unabated in Banks, Fertilizer and E&P sector which weighed in on the index performance. Additionally, lack of clarity on the IMF front, with the key condition for the resumption of loan program to revise the energy tariffs upwards, also worried investors. However, as per reports, the IMF team is largely satisfied with the revenue collection performance of the tax machinery during 1QFY22, where they surpassed the target by PKR 186Bn to PKR ~1.4Trn in 1QFY22. Along with this news, the start of trading in Octopus Digital shares and hopes of strong quarterly earnings helped ease the selling pressure on the index towards the latter half of the week.

Surging commodity prices continued to weigh in on investor sentiments: During the week, international oil prices tested its recent highs, with Brent surpassing USD 83 per barrel and WTI going past USD 78 per barrel, owing to OPEC's decision to stick with their existing output policy despite a global rebound in fuel demand. Local investors remained concerned as rising crude oil prices add to inflation fears and external account pressures. Additionally, the ongoing energy crunch in Europe and China, with coal and other commodity prices still trading at multi-year highs, continued to worry market participants.

Major data releases during the week included: 1) SBP reserves fell by 0.65% WoW to USD 19.2Bn; 2) Trade gap widened by over 100% YoY in 1QFY22 to USD 11.7Bn; 3) Cement offtake fell by 5.7% YoY to 12.8Mn tons during 1QFY22 as against 13.6Mn tons in SPLY; and 4) Total petroleum sales surged by 29% YoY to 1.96Mn tons in Sep'21. The T-Bill auction results were also announced during the week, in which the government raised PKR 584Bn from 3- and 6-month bills against a total participation of PKR 826Bn. The bids for 12-month bills were rejected, whereas, on the other hand, the cut-off yields for 3- and 6-month bills increased by around ~21bps, indicating that the recent increase in policy rate by 25bps has largely been priced in.

Outlook: Overall, we reiterate our favorable outlook of local equities given the successful conclusion of IMF talks, attractive market valuations, and upcoming quarterly result season. However, the index may remain in pressure in the near-term due to the consistent devaluation of PKR against the USD, continuous surge in global commodity prices, reversal in monetary stimulus, and uncertainty on the geopolitical front. Hence, any short-term dips should be taken as an opportunity to accumulate scrips in Banks, Fertilizers, Steel, and Technology sectors. Key data expected to be announced next week includes the release of auto sales numbers.

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



Source: PSX, BMA Research

Table 1: PSX weekly snapshot

Index	8-Oct Pts	1-Oct Pts	WoW Pts	WoW %
KSE-100	44,477	44,872	-394	-0.9%
KSE-All sh.	30,599	30,694	-94	-0.3%
KSE-30	17,525	17,608	-83	-0.5%
KMI-30	71,477	72,203	-726	-1.0%
KMI-All Sh.	21,721	21,842	-122	-0.6%
Oil & Gas	10,983	11,238	-255	-2.3%
Banking	12,476	12,350	126	1.0%

Source: PSX

Table 2: PSX weekly trading activity

Index	8-Oct	1-Oct	WoW
KSE-100			
Avg. Vol. (Mn)	107	174	-38.3%
Avg. Val. (PKR Mn)	6,867	8,722	-21.3%
Value (USD Mn)	40	51	-21.5%
M.Cap (PKR Bn)	5,940	5,974	-0.6%
M.Cap (USD Bn)	35	35	-0.7%
KSE-All sh.			
Avg. Vol. (Mn)	265	355	-25.2%
Avg. Val. (PKR Mn)	10,204	12,876	-20.7%
Value (USD Mn)	60	76	-21.0%
M.Cap (PKR Bn)	7,786	7,808	-0.3%
M.Cap (USD Bn)	46	46	-0.3%

Source: PSX

Table 3: PSX other activity

Desc.	8-Oct	1-Oct	WoW
Futures Activity			
Avg. Vol (Mn)	93	118	-21.0%
Avg. Val (PKR Mn)	4,212	5,218	-19.3%
NDM Transactions			
Volume (Mn)	38	116	-66.9%
Value (PKR Mn)	3,956	3,856	2.6%
Value (USD Mn)	23	23	2.3%

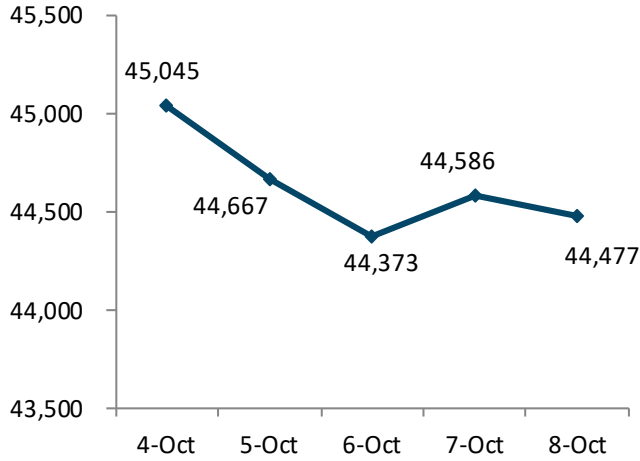
Source: PSX

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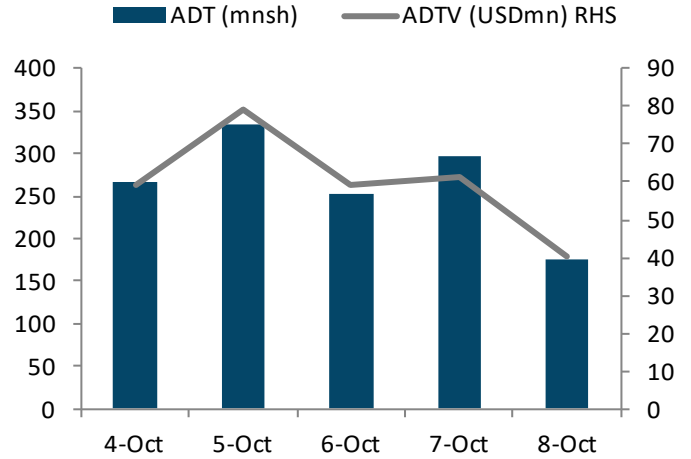
Key market charts for the week

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



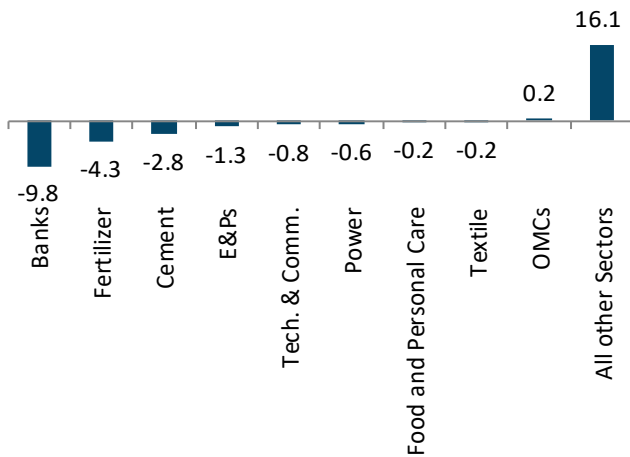
Source: PSX, BMA Research

Chart 3: KSE-All sh. market participation



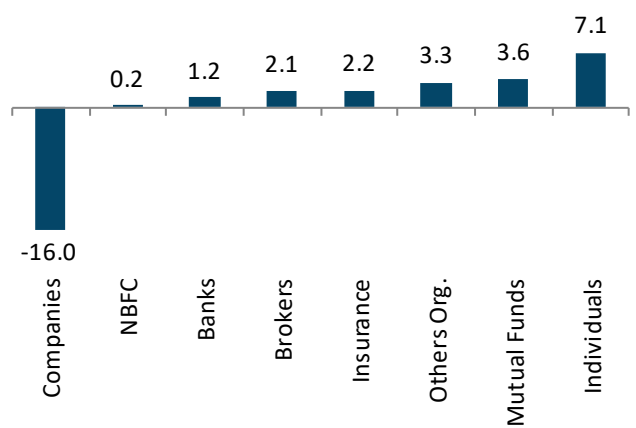
Source: PSX, BMA Research

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



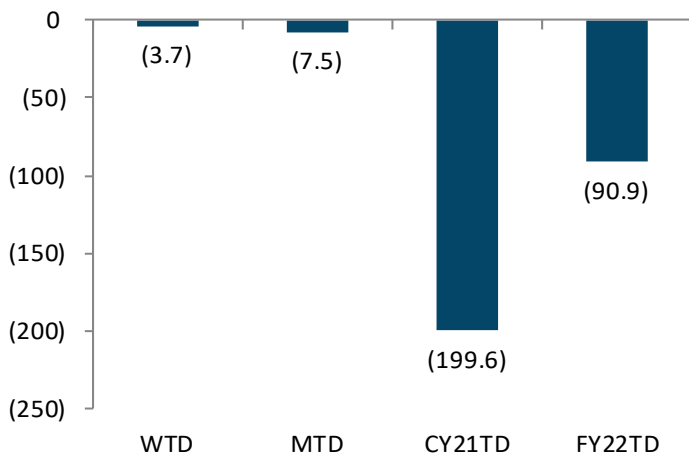
Source: NCCPL, BMA Research

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

MARI	14.6%
JSCL	12.9%
SEARL	7.8%
COLG	6.4%
PUNO	6.3%

Losers

PIOC	-11.6%
GADT	-10.9%
FFBL	-10.7%
SNGP	-10.5%
CHCC	-9.7%

Source: PSX, BMA Research

Key market news for the week

['Links' to offshore companies: Tarin, Moonis, others named in Pandora Papers](#)

The International Consortium of Investigative Journalists (ICIJ) on Sunday "unveiled" its Pandora Papers. The exposé named Finance Minister Shaukat Tarin, Senator Faisal Vawda, PML-Q leader...[read more](#)

[Riyadh will provide \\$3.6b to buy crude oil: Tarin](#)

A day after the government increased the prices of all petroleum products to a record-high level, Finance Minister Shaukat Tarin on Friday announced that an agreement was reached with Saudi Arabia...[read more](#)

[Talks to revive \\$6 billion IMF package next week](#)

Pakistan and the International Monetary Fund (IMF) are set to resume talks for the revival of a \$6 billion derailed programme next week, in which both the sides would try to find a middle ground on the contentious...[read more](#)

[OGRA raises RLNG price for gas utilities](#)

The government has notified an increase in the price of re-gasified liquefied natural gas (RLNG) by up to 16.5% for Sui Northern Gas Pipelines Limited (SNGPL) and Sui Southern Gas Company (SSGC)...[read more](#)

[Inflation shoots up to 9%](#)

Inflation rate shot up to 9% in September 2021 due to a significant increase in prices of food, electricity and fuel items, beating government and market expectations for a moderate inflationary pace...[read more](#)

[Trade gap widens by over 100pc in 1QFY22](#)

The first quarter of the current fiscal year (1QFY22) posted a rise of more than 100 per cent in trade deficit driven largely by an almost triple increase in the country's imports compared to exports...[read more](#)

[Essential food items: PM announces 40pc targeted subsidy](#)

Prime Minister Imran Khan has sought formation of a committee to regularly monitor the implementation of Rs1.4trillion Kamyab Pakistan Program (KPP) designed for 3.7 million low-income households...[read more](#)

[Cement sales dip almost 6pc in July-Sept](#)

Overall cement sales — domestic and exports — fell 5.67pc to 12.825 million tonnes during the first quarter (July-September) of this fiscal year from 13.596m tonnes in the corresponding period last year...[read more](#)

[Pakistani startups raised a record \\$305mn during Jul-Sep 2021](#)

CY2021 has so far proved to be exceptional for Pakistani startups as they raised a record USD 305 million of investment globally during July-Sep 2021. The sectors include E-commerce, Fintech, Health and Freight...[read more](#)

[Anjum now DG ISI, Hameed corps commander](#)

Lieutenant General Nadeem Ahmed Anjum has been appointed as the new director general of the Inter Services Intelligence (ISI), whereas Lt Gen Faiz Hameed, formerly the ISI director general, has been posted as the Peshawar Corps Commander...[read more](#)

[Power tariff main reason behind stalled IMF talks](#)

The parleys between International Monetary Fund (IMF) and Power Division on new Circular Debt Management Plan (CDMP) are reportedly not heading towards any conclusion due to impasse on increase in electricity...[read more](#)

[WB lowers GDP forecast, projects higher inflation](#)

The World Bank has lowered the GDP growth projection for Pakistan by 0.1 percent, i.e., from estimated 3.5 percent in fiscal year 2021 (against Pakistan's claim of 3.94 percent) to 3.4 percent for fiscal year 2022...[read more](#)

[IMF satisfied with collection performance: FBR chief](#)

Federal Board of Revenue (FBR) Chairman Dr Muhammad Ashfaq said, Thursday that the International Monetary Fund (IMF) is satisfied with the revenue collection performance of the tax machinery during first quarter...[read more](#)

[Wendy Sherman arrives](#)

A seven-member delegation led by US Deputy Secretary of State Wendy Sherman arrived in Islamabad late Thursday to hold talks with civil and military leadership, private TV channel reported...[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.)