

# Market Strategy

## Charting the PSX Bull Run: Winners and Laggards

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## The Spectacular odyssey of 15,000 points

- The KSE100 index posted an astonishing return of 36.7% (+15,227 points) to 56,680 since the IMF Stand-by Arrangement amounting to USD 3.0bn signed back in Jun'23.
- We have discussed factors igniting this rally in our report titled [“KSE100 reached all-time high”](#).
- In this report, we have summarized the performance of stocks that led this tremendous rally alongside a comparison with 2017 valuations and outlook.
- The top ten stocks including HUBC, MEBL, UBL, BAHL, LUCK, OGDC, MCB, PPL, HBL, and EFERT contributed 49.7% of this rally.
- HUBC led the rally with 11% or 1,730 points contribution since Jul'23 followed by MEBL, UBL, BAHL, and LUCK with contributions of 5.8%, 5.8%, 4.6%, and 4.2% respectively.
- In the top 25 major index contributors, the companies that underperformed the KSE100 index include EFERT, POL, ENGRO, FFC, DAWH, NESTLE, MARI, and SYS.
- However, TRG, PSEL, UPFL, GADT, and RMPL remained the negative contributors to the index. These five stocks eroded 174 pts from the index.

Exhibit: A Journey from 41K to 56K

	Stock Price				Index Contribution	
	15-Nov-23	27-Jun-23 Adjusted	Unadjusted	Change	OP / (UP)	Points %
<b>KSE100 Index</b>	<b>56,680</b>	<b>41,453</b>		<b>36.7%</b>		
HUBC	119.65	61.81	69.58	93.6%	56.8%	1,730 11.4%
MEBL	145.62	80.65	86.37	80.6%	43.8%	887 5.8%
UBL	158.00	102.14	117.54	54.7%	18.0%	879 5.8%
BAHL	67.13	36.95	43.22	81.7%	45.0%	695 4.6%
LUCK	720.04	504.85	522.09	42.6%	5.9%	639 4.2%
OGDC	106.76	74.64	78.00	43.0%	6.3%	617 4.0%
MCB	149.82	103.30	114.47	45.0%	8.3%	612 4.0%
PPL	86.31	58.04	59.14	48.7%	12.0%	547 3.6%
HBL	97.58	70.15	73.23	39.1%	2.4%	542 3.6%
EFERT	96.93	74.36	82.53	30.3%	-6.4%	425 2.8%
COLG	1,694.29	1,118.54	1,122.82	51.5%	14.7%	415 2.7%
MTL	530.88	377.71	390.31	40.6%	3.8%	390 2.6%
PSO	156.92	104.65	111.01	49.9%	13.2%	330 2.2%
POL	424.33	346.92	401.77	22.3%	-14.4%	313 2.1%
ENGRO	293.01	254.13	259.89	15.3%	-21.4%	307 2.0%
FFC	105.77	91.73	98.44	15.3%	-21.4%	302 2.0%
HMB	46.60	26.67	30.22	74.7%	38.0%	291 1.9%
BAFL	39.96	28.32	30.44	41.1%	4.4%	225 1.5%
ILP	59.40	33.73	35.26	76.1%	39.4%	215 1.4%
DAWH	116.89	97.36	100.00	20.1%	-16.7%	199 1.3%
ATRL	306.83	163.45	171.63	87.7%	51.0%	181 1.2%
NESTLE	8,400.00	6,290.46	6,447.50	33.5%	-3.2%	180 1.2%
MARI	1,676.96	1,459.38	1,514.64	14.9%	-21.8%	174 1.1%
KAPCO	28.55	16.95	20.80	68.5%	31.7%	169 1.1%
SYS	435.27	403.33	403.33	7.9%	-28.8%	168 1.1%
Others						3,795 24.9%
<b>Total</b>						<b>15,227 100.0%</b>

Source (s): PSX, AHL Research

# Market Strategy

## Magnates of Momentum: Top 5 companies spearhead 34% in the rally

- During last one month (since 18<sup>th</sup> Oct 2023), the KSE100 index jumped from 49,431 to 56,680 level posting a return of 14.7%.
- Top ten stocks including HUBC, BAHF, LUCK, EFERT, OGDC, MEBL, ENGRO, PSO, COLG, and MTL contributed 50.0% of this rally.
- HUBC led the rally with 15% or 1,081 points contribution since 18-Oct-23 followed by BAHF, LUCK, EFERT, and OGDC with contributions of 6.1%, 4.8%, 4.0%, and 3.9% respectively.
- In the top 25 major index contributors, the companies that underperformed the KSE100 index include ENGRO, UBL, MCB, PPL, FFC, SYS, ILP, POL, MARI, and HBL.
- However, RMPL, JVDC, EFUG, JDWS, and POML remained the negative contributors to the index. These five stocks eroded 19 pts from the index.

Exhibit: A Journey from 50K to 56K

	Stock Price			Change	OP / (UP)	Index Contribution	
	15-Nov-23	18-Oct-23 Adjusted	Unadjusted			Points	%
<b>KSE100 Index</b>	<b>56,680</b>	<b>49,431</b>		<b>14.7%</b>			
HUBC	119.65	83.56	87.70	43.2%	28.5%	1,081	14.9%
BAHL	67.13	47.70	51.06	40.7%	26.1%	444	6.1%
LUCK	720.04	595.93	595.93	20.8%	6.2%	351	4.8%
EFERT	96.93	81.35	86.96	19.2%	4.5%	289	4.0%
OGDC	106.76	92.16	93.62	15.8%	1.2%	286	3.9%
MEBL	145.62	124.97	129.68	16.5%	1.9%	282	3.9%
<b>ENGRO</b>	<b>293.01</b>	<b>262.29</b>	<b>266.13</b>	<b>11.7%</b>	<b>-3.0%</b>	249	3.4%
PSO	156.92	121.64	121.64	29.0%	14.3%	224	3.1%
COLG	1,694.29	1,396.01	1,396.01	21.4%	6.7%	219	3.0%
MTL	530.88	455.02	455.02	16.7%	2.0%	198	2.7%
<b>UBL</b>	<b>158.00</b>	<b>146.07</b>	<b>156.41</b>	<b>8.2%</b>	<b>-6.5%</b>	185	2.5%
<b>MCB</b>	<b>149.82</b>	<b>135.82</b>	<b>143.44</b>	<b>10.3%</b>	<b>-4.4%</b>	179	2.5%
<b>PPL</b>	<b>86.31</b>	<b>77.48</b>	<b>77.48</b>	<b>11.4%</b>	<b>-3.3%</b>	177	2.4%
<b>FFC</b>	<b>105.77</b>	<b>98.08</b>	<b>101.97</b>	<b>7.8%</b>	<b>-6.8%</b>	164	2.3%
<b>SYS</b>	<b>435.27</b>	<b>411.70</b>	<b>411.70</b>	<b>5.7%</b>	<b>-8.9%</b>	124	1.7%
<b>ILP</b>	<b>59.40</b>	44.91	44.91	32.3%	17.6%	122	1.7%
DGKC	66.92	49.44	49.44	35.4%	20.7%	115	1.6%
HMB	46.60	38.50	38.50	21.0%	6.4%	115	1.6%
FCCL	16.32	12.47	12.47	30.9%	16.2%	100	1.4%
<b>POL</b>	<b>424.33</b>	<b>399.61</b>	<b>399.61</b>	<b>6.2%</b>	<b>-8.5%</b>	96	1.3%
SEARL	53.67	39.12	39.12	37.2%	22.5%	89	1.2%
<b>MARI</b>	<b>1,676.96</b>	<b>1,570.63</b>	<b>1,570.63</b>	<b>6.8%</b>	<b>-7.9%</b>	86	1.2%
<b>HBL</b>	<b>97.58</b>	<b>92.93</b>	<b>95.17</b>	<b>5.0%</b>	<b>-9.7%</b>	82	1.1%
KAPCO	28.55	22.68	22.68	25.9%	11.2%	81	1.1%
SRVI	463.13	352.29	352.29	31.5%	16.8%	78	1.1%
Others						1,832	25.3%
<b>Total</b>						<b>7,249</b>	<b>100.0%</b>

Source (s): PSX, AHL Research

# Market Strategy

## Leading the charge, banks take center stage

- The top five sectors contributed 10,801 pts (70.9% of the total) since 27-Jun-23 to the index.
- **Banks** remained the major contributor to the index, contributing 4,555 pts (30% of the total) since 27-Jun-23.
- **Power & E&P** contributed, 2,094 pts and 1,651 pts, respectively.
- **Cement & Fertilizer** contributed, 1,331 pts and 1,172 pts, respectively.

Exhibit: Stock Performance

	Weight in KSE100		Index Contribution	
	27-Jun-23	15-Nov-23	Points	%
Banks	20.36%	25.31%	4,555	29.9%
Power	5.54%	16.33%	2,094	13.7%
E&P	12.34%	5.30%	1,651	10.8%
Cement	8.86%	7.52%	1,331	8.7%
Fertilizer	14.08%	8.42%	1,172	7.7%
OGMCs	3.40%	2.09%	627	4.1%
Chemicals	4.30%	1.81%	508	3.3%
Auto Assem.	3.69%	0.36%	484	3.2%
Textile Comp.	1.74%	2.38%	369	2.4%
Refinery	1.07%	6.19%	359	2.4%
Food	3.41%	2.09%	395	2.6%
Inv. Banks	2.52%	2.95%	228	1.5%
Engineering	1.02%	1.09%	221	1.5%
Pharma	2.06%	1.43%	230	1.5%
Leather	0.33%	0.08%	125	0.8%
Others	15.3%	16.7%	131	0.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>15,227</b>	<b>100.0%</b>

Source (s): PSX, AHL Research

- The top five sectors contributed 4,933 pts (68.1% of the total) since 18-Oct-23 to the index.
- **Banks** remained the major contributor to the index, contributing 1,475 pts (20% of the total) since 18-Oct-23.
- **Power & Cement** contributed, 1,227 pts and 814 pts, respectively.
- **Fertilizer & E&P** contributed, 771 pts and 645 pts, respectively.

Exhibit: Stock Performance

	Weight in KSE100		Index Contribution	
	18-Oct-23	15-Nov-23	Points	%
Banks	23.08%	25.31%	1,475	20.4%
Power	6.82%	16.33%	1,227	16.9%
Cement	8.49%	7.52%	814	11.2%
Fertilizer	12.73%	8.42%	771	10.6%
E&P	12.40%	5.30%	645	8.9%
Chemicals	3.72%	1.81%	294	4.1%
OGMCs	3.47%	2.09%	348	4.8%
Textile Comp.	1.67%	2.38%	222	3.1%
Auto Assem.	3.16%	0.36%	233	3.2%
Pharma	2.08%	1.43%	155	2.1%
Refinery	1.44%	6.19%	119	1.6%
Leather	0.50%	0.08%	78	1.1%
Tobacco	0.57%	0.05%	73	1.0%
Engineering	1.20%	1.09%	69	1.0%
Insurance	0.94%	1.54%	68	0.9%
Others	17.7%	20.1%	656	9.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>7,249</b>	<b>100.0%</b>

Source (s): PSX, AHL Research

# Market Strategy

## Outlook - Energy stocks to ignite the index to new heights

- Despite recent trends, we maintain the view that the market is currently trading significantly below its historical averages."
- Even with a 36% surge since July 2023, the KSE100 index is trading at a PE of 4.3x, a discount of 25% compared to the five-year average PE(x) of 5.7x.
- Furthermore, the KSE100 index trading at PB of 0.6x and offering an alluring DY of 10.5%, both reflecting a discount of 43% and 26%, respectively, compared to the 5Y averages.
- The profitability of the KSE100 saw a 2.1-fold increase, reaching PKR 1,369bn in 2023, compared to PKR 629bn in 2017.
- The leverage position is also 25% lower when compared with the all-time high levels of 2017. The current market leverage including MTS, MFS, and future counter is PKR 28.2bn while back in 2017 total leverage position was PKR 37.6bn.
- Looking at the market cap to GDP ratio, the market is currently trading at 9.6% while in 2017 this ratio was 29.4%.
- We believe that the next rally would likely be triggered in the energy chain including heavyweights E&Ps and OGMCS.
- The energy stocks including OGDC, PPL, MARI, PSO, and SNGP are still trading at attractive FY24 PE of 2.7x, 2.4x, 3.1x, 2.4x, and 2.0x respectively as compared to the KSE100 index PE of 4.3x.
- Our preferred stocks are OGDC, PPL, MARI, PSO, MCB, UBL, MEBL, LUCK, MLCF, SNGP, ENGRO, FFC, HUBC, and INDU.

### Exhibit: A Comparison with 2017

		Nov-23	May-17	Change	% Change
KSE100 Index	Index	56,680	52,876	3,804	7.2%
KSEALL Market Cap	PKR bn	8,143	10,446	(2,303)	-22.0%
KSEALL Market Cap	USD mn	28,260	99,617	(71,357)	-71.6%
KSE100 (PE)	x	4.3	11.5	@ 63% discount	
Market Cap to GDP	%	9.6%	29.4%	-20 pts	
BEER	x	0.61	0.94	@ 35% discount	
KSE100 Profit after tax	PKR bn	1,369	629	740	117.7%
Total Leverage Position	PKR bn	28.2	37.6	(9)	-25.2%
MTS	PKR bn	5.7	8.7	(3)	-33.9%
MFS	PKR bn	5.0	7.1	(2)	-29.2%
Future	PKR bn	17.4	21.9	(4)	-20.5%

Source (s): PSX, AHL Research

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HOLD	Upside of subject security(ies) is between -15% and +15% from last closing of market price(s)
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## Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

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- Interest Rate Risk
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