

Market Performance

Feb-24: KSE-100 crosses 64k level, up by 4.2% MoM

01-Mar-2024

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Best Securities House: 2023
Best Investment Bank: 2023



Best Investment Bank: 2022



Best Equity House: 2022



Best Equity Advisor: 2021



Best Brokerage House: 2023
Corporate Finance House: 2023
Best Economic Research House: 2023
Best Equity Sales Person (Runner up): 2023



PAKISTAN
STOCK EXCHANGE
LIMITED
Top 25 Companies
(2019, 2018 & 2017)



Excellence Award
Leading Brokerage House for RDA 2021



Best Money Market Broker
(Islamic) 2021

PSX Performance - Feb 2024

KSE100 surged 4.2% MoM in Feb'23

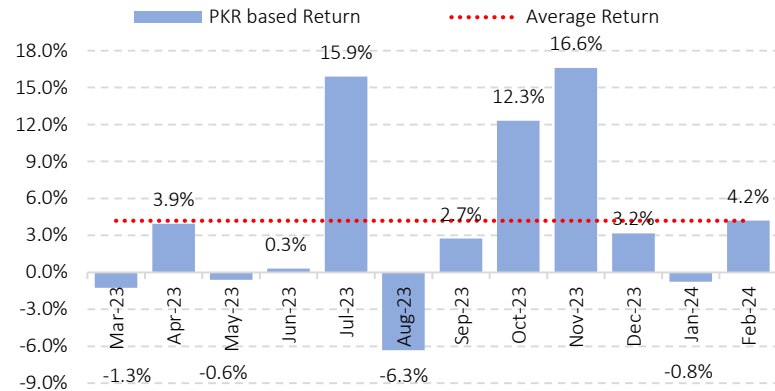
Market Welcomes Clarity in Political Arena

The local bourse witnessed a strong rebound during the month, reaching a 64k level. At the onset of the month, the market participants had jitters owing to political noise surrounding the election-related developments. Furthermore, the adverse response to the pending circular debt settlement plan by IMF further aggravated the momentum. Meanwhile, the OGRA notified a revision in gas prices (pre-requisite for the next IMF tranche). Whereas, the SBP kept the policy rate unchanged at 22% in the MPC meeting. The sentiment turned bullish amid clarity on the political front regarding the formation of the government. In addition to this, China agreed to rollover USD 2bn debt which was expected to mature in Mar'24. The foreign reserves held by SBP declined by USD 212mn MoM, clocking in at USD 7.9bn by the end of Feb'24 from USD 8.2bn in Jan'24. The Pak Rupee witnessed slight appreciation by PKR 0.4 | 0.14% MoM, clocking in at PKR 279.11. Albeit, KSE-100 closed at 64,579 points, depicting a gain of 2,599 points | 4.2% MoM.

Major News

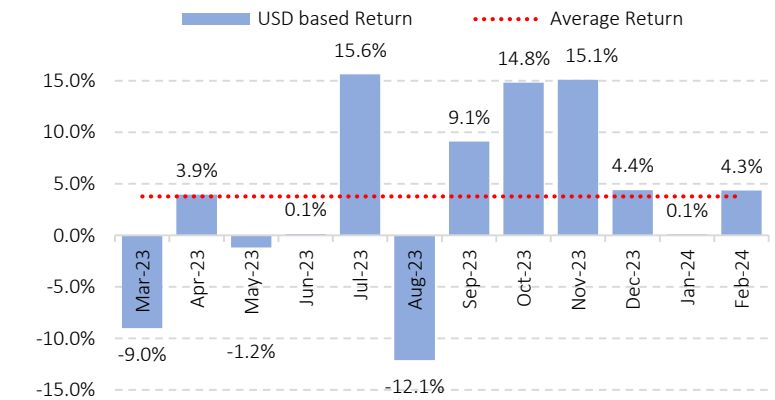
Oil sales decline 13% in 7MFY24, Urea Sales Down 3% in January 2024, Auto sales rise 81% in January amid economic hurdles, 152 mmcf/d gas added to system under caretaker government, Govt moves NPP, GPP sell-off process forward, Cnergyico plans to invest \$1bn in Pakistan's oil refining sector, Energy sector revolving debt has reached Rs5,422bn: minister, Nepra, Ogra laws to be amended: Trying to insulate regulators from govt interference, Amended oil refinery policy notified, Dues to Chinese IPPs hit record \$1.8b, Sazgar-GWM launch ORA 3 EV in Pakistan, Indus Motor to invest Rs3 billion in localising Toyota parts, Nishat Group seeks inclusion of its two plants in IGCEP, National Savings Schemes see third rate cut in two months, Hike in prices of 146 essential drugs notified, NEPRA allows PEL-EPQL gas deal at \$5.6127/MMBTU, RDA scheme attracts \$7.3bn in 40 months, eases forex pressure, OGDCL agrees to pay Rs12.6bn royalty to Balochistan, Telecard to sell entire shareholding in Supernet to HCL, and CCP clears 'Fauji Cereals Business' acquisition by Fauji Foods.

Figure: KSE-100 historical performance (PKR based)



Source (s): PSX, AHL Research

Figure: KSE-100 historical performance (USD based)



Source (s): PSX, AHL Research

PSX Performance - Feb 2024

Economic developments

- In Jan'24, the Current Account shifted from a surplus of USD 404mn in the previous month (Dec'23) to a deficit of USD 269mn. This marked a 61% increase in the deficit compared to Jan'23 when it was USD 167mn. Month-on-month, total imports saw an 11% increase while total exports decreased by 4% in Jan'24. Remittances, however, increased by 1% compared to the previous month. On a YoY basis, exports grew by 16% and imports by 21% in Jan'24, with remittances also increasing by 26%. Overall, in 7MFY24, the Current Account Deficit decreased by 71% YoY to USD 1.09bn, a significant improvement from the USD 3.8bn deficit recorded in the same period last year.
- Remittances from overseas Pakistanis saw a meagre 1% MoM increase, reaching USD 2.4bn in Jan'24 compared to USD 2.38bn in Dec'23. On a YoY basis, remittances increased by 26% (Jan'23: USD 1.9bn). In the 7MFY24, remittances experienced a 3% YoY decline, amounting to USD 15.8bn, as compared to USD 16.3bn in the 7MFY23. In Jan'24, remittance inflows from Saudi Arabia amounted to USD 587mn, showing a YoY increase of 43% and a MoM increase of 2%. Remittances from the UAE stood at USD 408mn in Jan'24, reflecting a YoY jump of 51% and a MoM decrease of 3%. The UK contributed USD 362mn in remittances during Jan'24, experiencing a YoY increase of 9% and a MoM decrease of 2%. Remittances from the USA totalled USD 283mn in Jan'24, reflecting a YoY increase of 32% and a 7% MoM increase.
- In Jan'24, the country experienced a net FDI outflow of USD 173mn, against the net inflow of USD 237mn in Jan'23. Over the 7MFY24, net FDI declined by 21% YoY to USD 689mn, compared to an inflow of USD 877mn during the same period last year. During the 7MFY24, Hong Kong emerged as the leading contributor to net FDI, recording a net FDI of USD 207mn, closely followed by the UK with a net FDI of USD 141mn. In terms of sectors, the power sector attracted the most significant investment during 7MFY24, totaling USD 191mn, followed by the oil and gas exploration sector with USD 135mn during the same period.
- The recent data released by the Pakistan Bureau of Statistics reveals a jump in the LSMI for Dec'23, indicating a 3.4% increase compared to the SPLY. LSMI Index stood at 132.9 during Dec'23 against 128.5 in SPLY. Additionally, on a MoM basis, LSMI experienced a 15.7% increase.

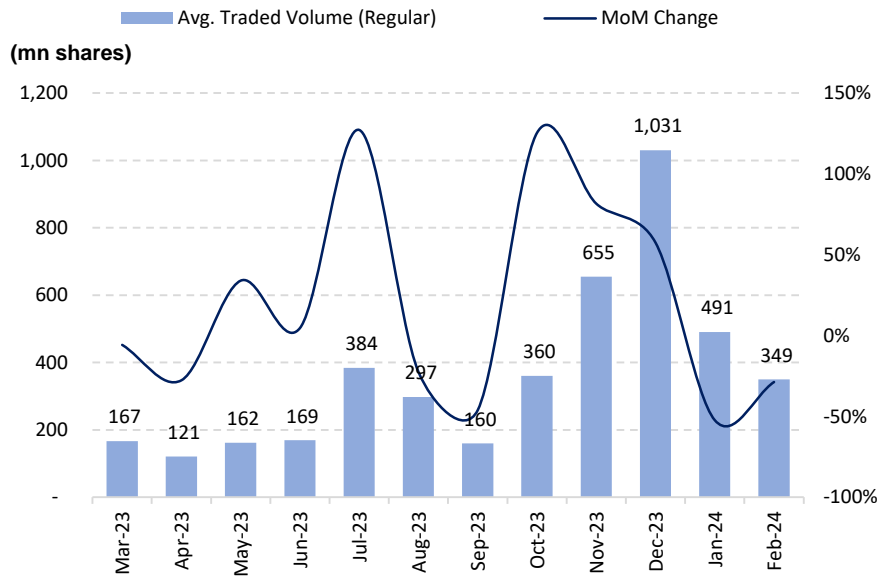
PSX Performance - Feb 2024

Historical volume and value

Robust activity witnessed

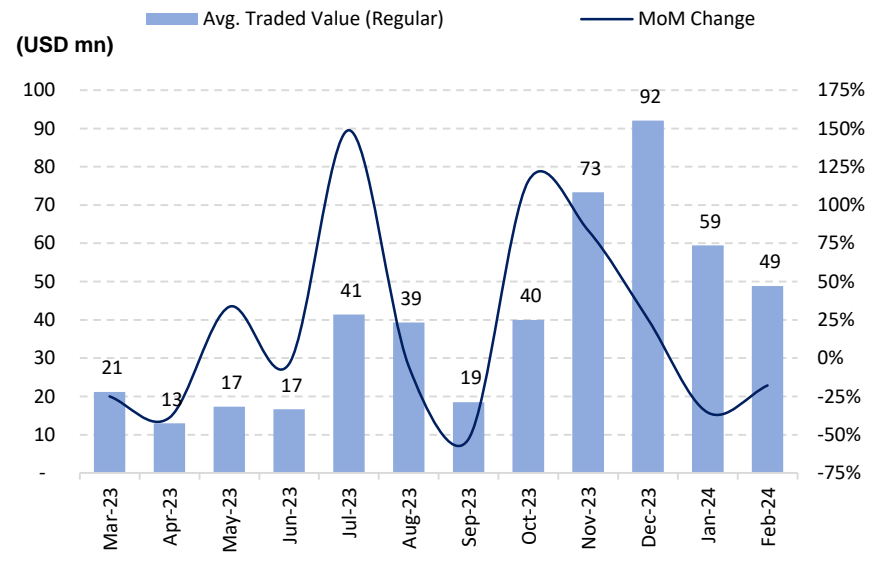
- During Feb'24, the average trading volume witnessed a decline of 29% to 349mn shares, while the average trading value reduced by 18% to USD 49mn.

Figure: PSX historic average traded volume



Source (s): PSX, AHL Research

Figure: PSX historic average traded value



Source (s): PSX, AHL Research

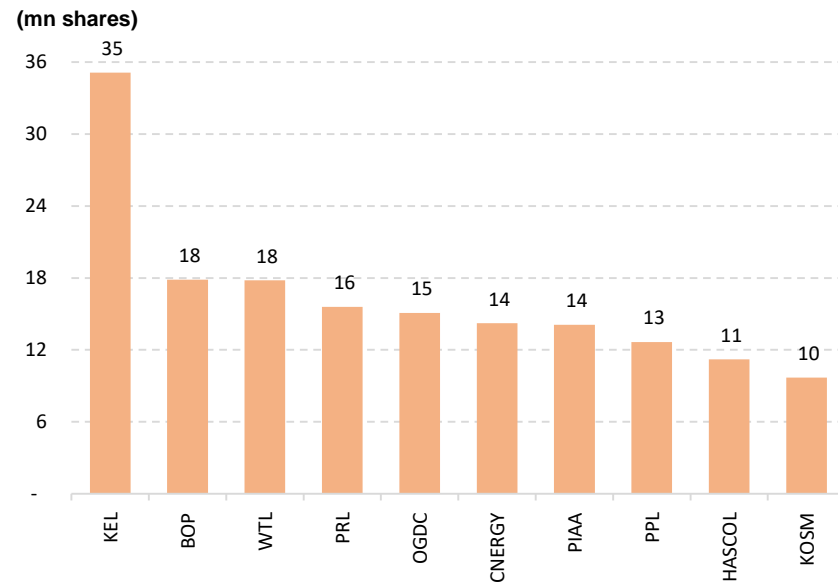
PSX Performance - Feb 2024

Company & sector wise volume leaders

Volume leaders during Feb-24

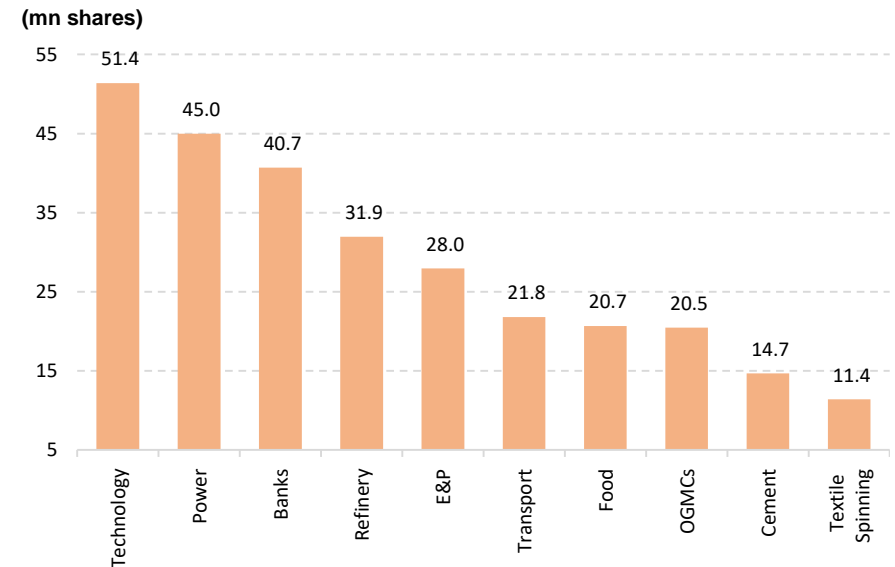
- Sectors that attracted the most activity during the month were Technology, Power, Banks, Refinery and E&P registering average volumes of 51mn, 45mn, 41mn, 32mn and 28mn, respectively.
- Whereas on a scrip-wise basis, volumes were led by KEL (35mn), BOP (18mn), WTL (18mn), PRL (16mn) and OGDC (15mn).

Figure: Top Scrip-wise volume leaders (Feb-24)



Source (s): PSX, AHL Research

Figure: Top sector-wise volume leaders (Feb-24)



Source (s): PSX, AHL Research

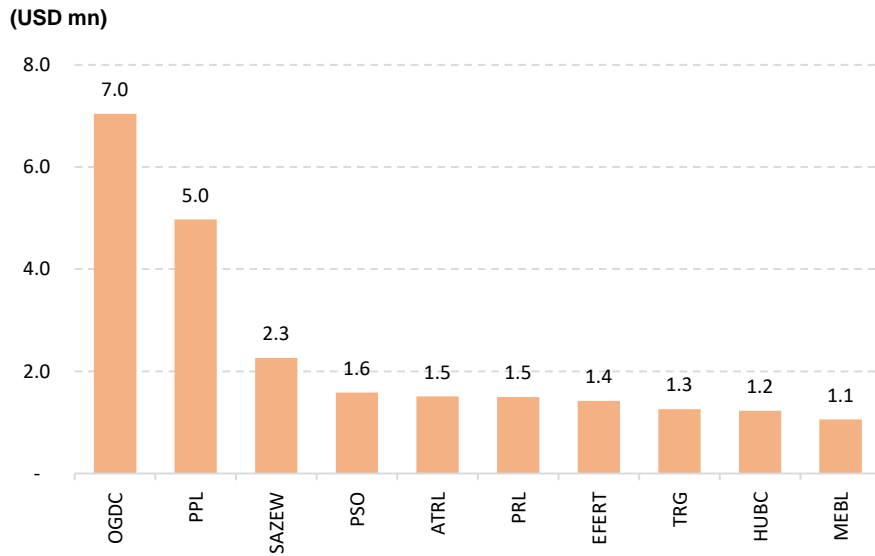
PSX Performance - Feb 2024

Company & sector wise value leaders

Value leaders during Feb-24

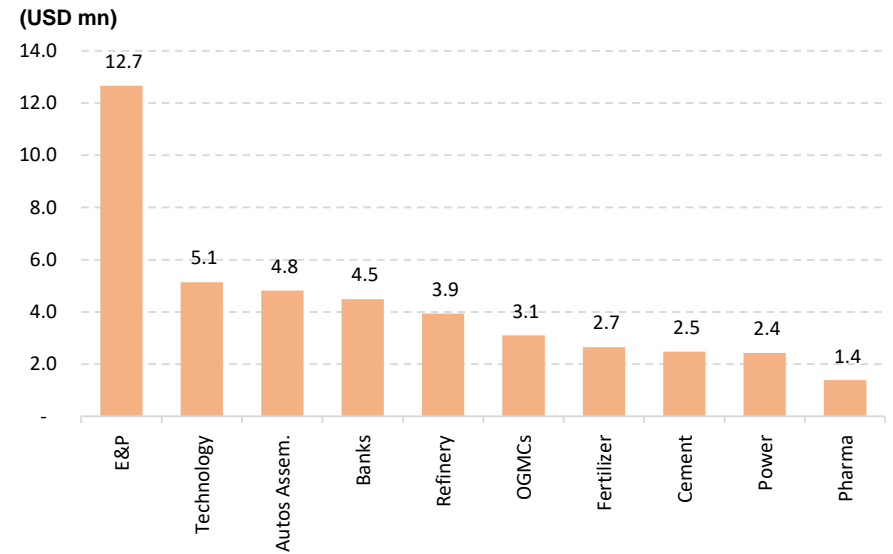
- On a sector-wise basis, the most activity during the period was witnessed in E&Ps, Technology, Auto Assembler, Banks, and Refinery posting a trade value of USD 12.7mn, USD 5.1mn, USD 4.8mn, USD 4.5mn, and USD 3.9mn, respectively.
- Meanwhile, on a scrip-wise basis, the highest trading values were dominated by OGDC (USD 7.0mn), followed by PPL (USD 5.0mn), SAZEW (USD 2.3mn), PSO (USD 1.6mn), ATRL (USD 1.5mn), PRL (USD 1.5mn), EFERT (USD 1.4mn), TRG (USD 1.3mn), HUBC (USD 1.2mn), and MEBL (USD 1.1mn).

Figure: Top scrip-wise value leaders (Jan-24)



Source (s): PSX, AHL Research

Figure: Top sector-wise value leaders (Jan-24)



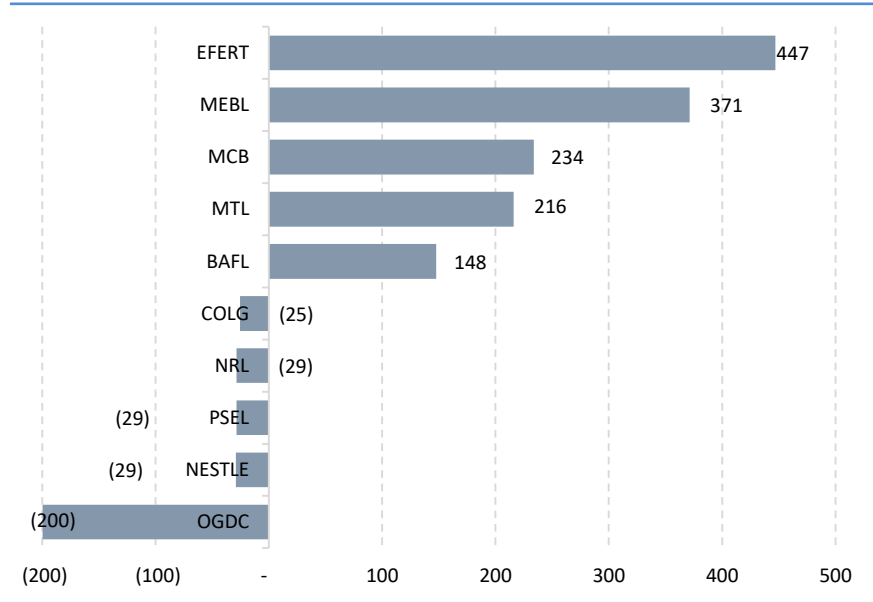
Source (s): PSX, AHL Research

PSX Performance - Feb 2024

Index contribution during Feb-24

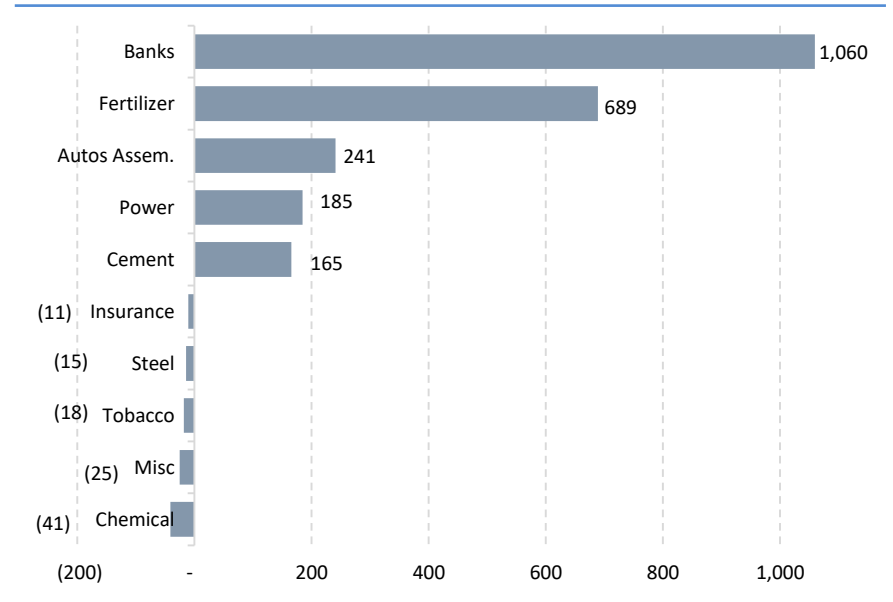
- Sectors contributing positively to the index during Feb'24 include Banks (1,060pts), Fertilizer (689pts), Auto Assemblers (241pts), Power (185pts), and Cement (165pts). Whereas, the sectors contributing negatively comprised of Chemical (-41pts) followed by Miscellaneous (-25pts), and Tobacco (-18pts).
- Scrip wise positive contributors during the month were EFERT (447pts), MEBL (371pts), MCB (234pts) and MTL (216pts). Scrip wise negative contributors were OGDC (-200pts), NESTLE (-29pts), PSEL (29pts), NRL (29pts) and COLG (-25pts).

Figure: Top Scrip-wise index contributors (Feb-24)



Source (s): PSX, AHL Research

Figure: Top sector-wise index contributors (Feb-24)



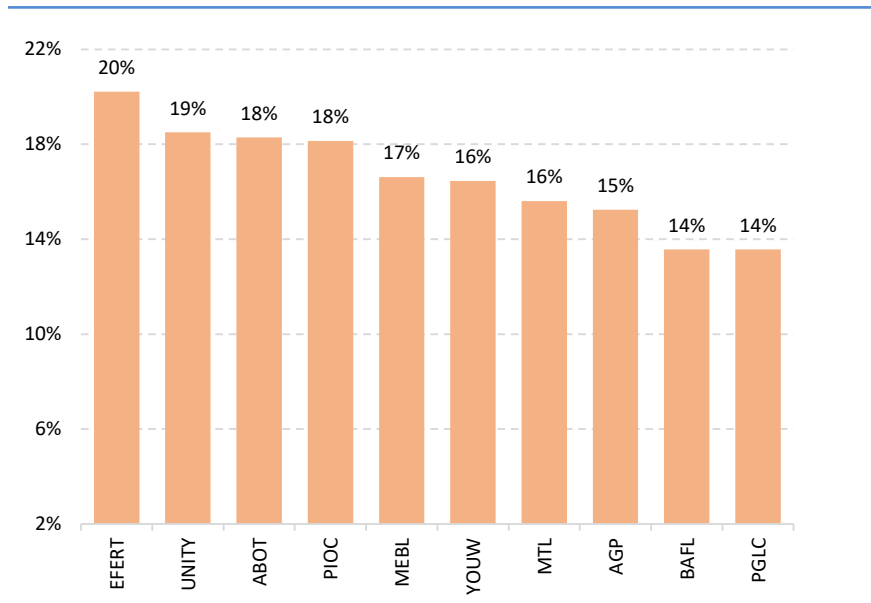
Source (s): PSX, AHL Research

PSX Performance - Feb 2024

Major gainers and losers during Feb'24

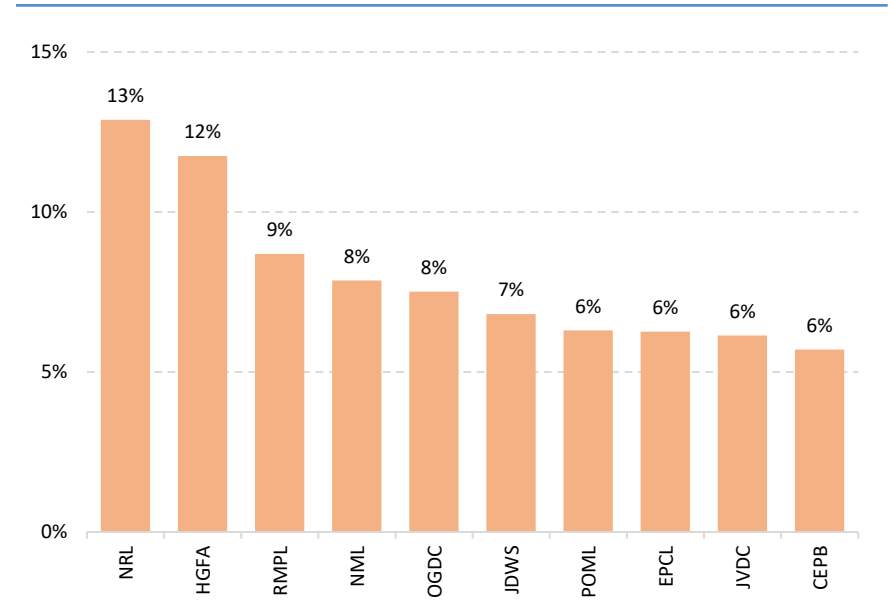
- Scrip-wise positive returns were witnessed in EFERT, UNITY, ABOT, PIOC and MEBL posting negative returns of 20%, 19%, 18%, 18%, and 17%, respectively. Meanwhile, negative performance during the month came from NRL, HGFA, RMPL, NML and OGDC, each posting returns of 13%, 12%, 9%, 8%, and 8%, respectively.

Figure: Scrip wise major gainers (KSE100)



Source (s): PSX, AHL Research

Figure: Scrip wise major losers (KSE100)



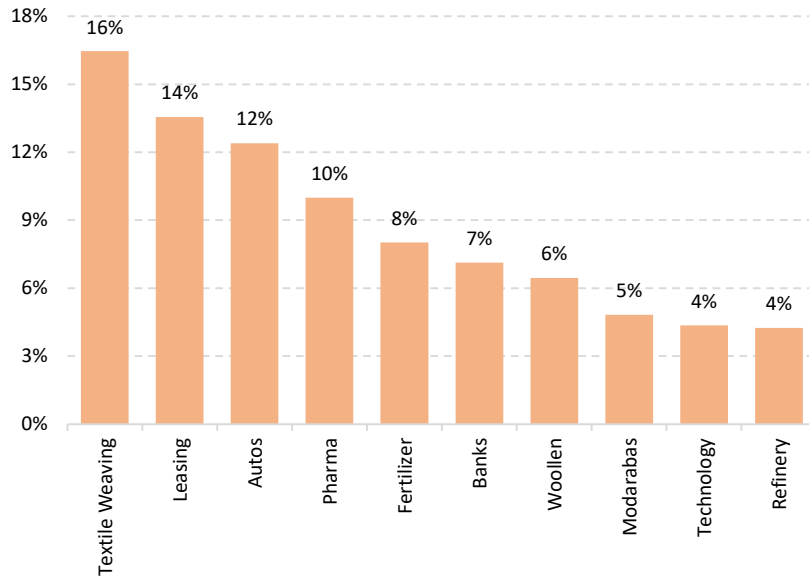
Source (s): PSX, AHL Research

PSX Performance - Feb 2024

Sector wise major gainers and losers during Feb'24

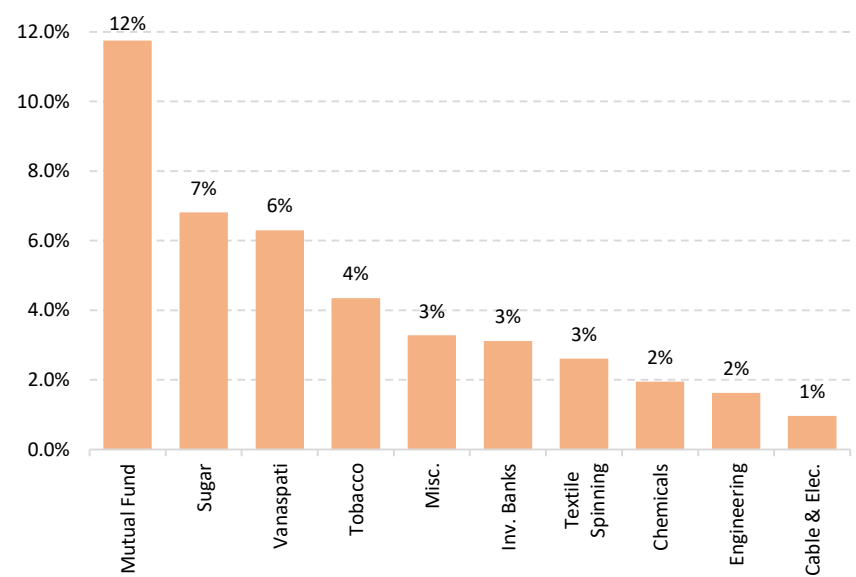
- In terms of sectors, major gainers were from Textile Weaving (16%), Leasing (14%), Autos (12%), Pharma (10%) and Fertilizer (8%). Whereas, major losers were Mutual Funds (12%), Sugar (7%), Vanaspati (6%), and Tobacco (4%).

Figure: Sector wise major gainers (KSE100)



Source (s): PSX, AHL Research

Figure: Sector wise major losers (KSE100)



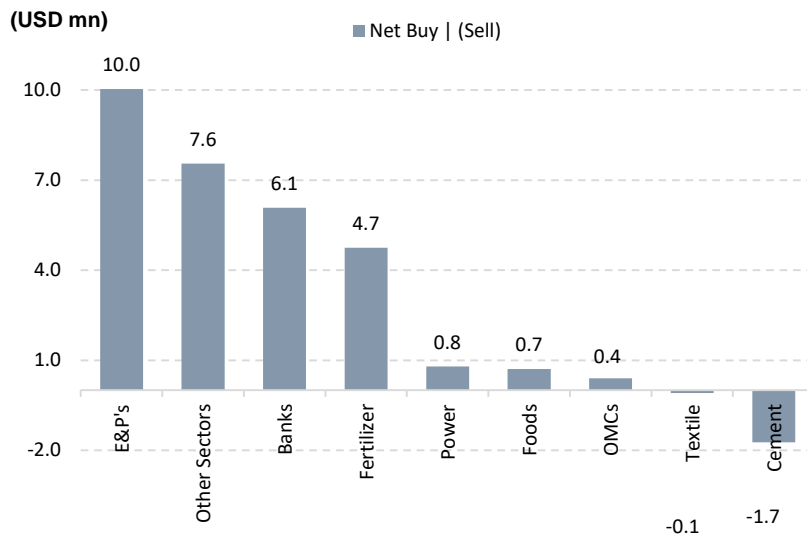
Source (s): PSX, AHL Research

PSX Performance - Feb 2024

Regional portfolio investment and FIPI/LIPI

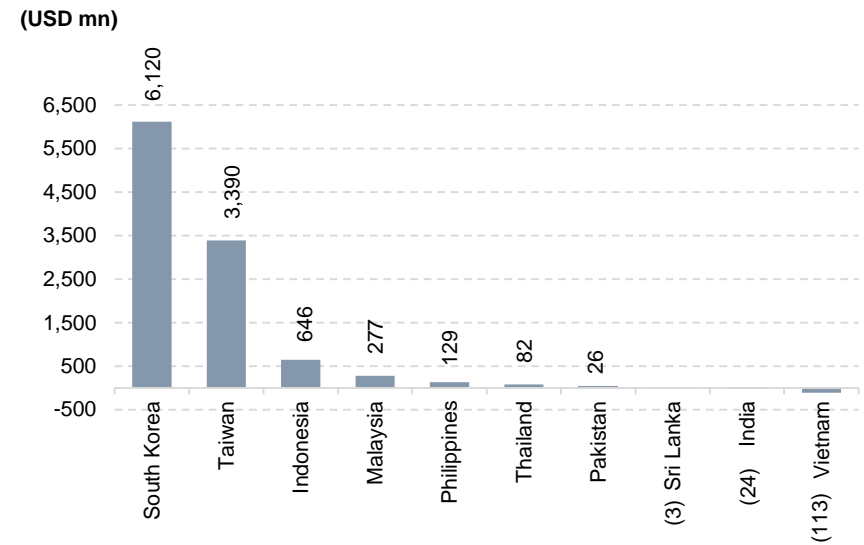
- Foreign buying was witnessed in the Asia-pacific region during Feb'24, which was led by i) South Korea (USD 6.1bn), ii) Taiwan (USD 3.4bn) and iii) Indonesia (USD 0.6bn) amid robust profitability of Asian tech companies. Whereas foreign selling was observed in Vietnam (USD 0.1bn).
- On the domestic stock exchange, foreign buying activity of USD 25.8mn was reported for the month of Feb'24. The inflows were predominantly in E&Ps (USD 10.0mn), other sectors (USD 7.6mn), Banks (USD 6.1mn), Fertilizer (USD 4.7mn), and Power (USD 0.8mn). Whereas, there was net selling observed in Cement (USD 1.7mn).

Figure: Sector wise FIPI Feb-24



Source (s): NCCPL, AHL Research

Figure: Regional Portfolio investment during Feb-24



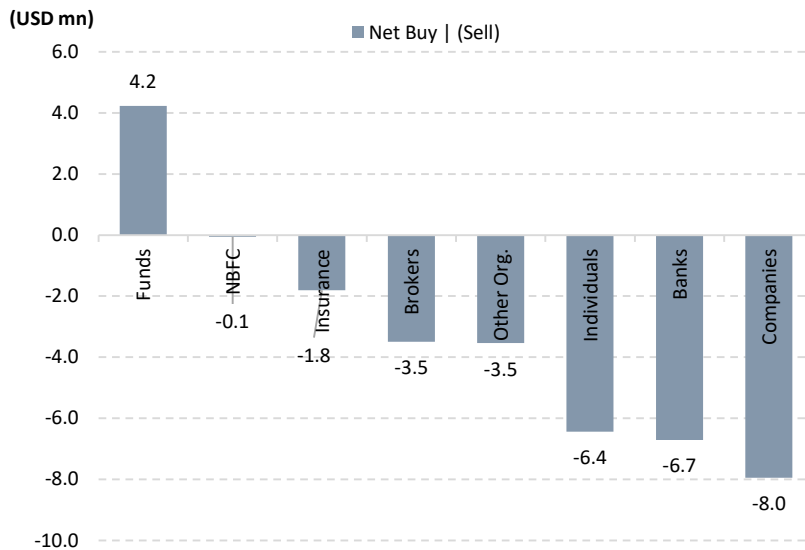
Source (s): NCCPL, Bloomberg, AHL Research

PSX Performance - Feb 2024

Portfolio investment (FIPI/LIPI)

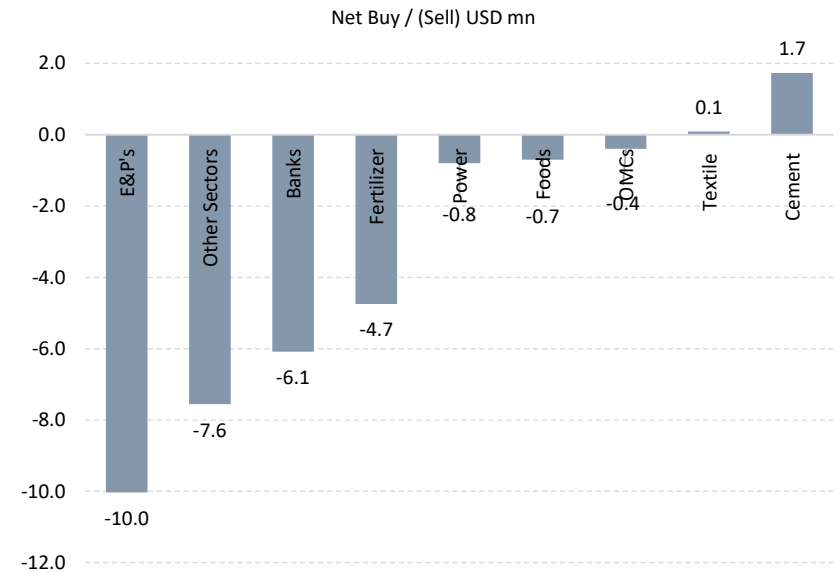
- On the local front, selling was reported by Companies (-USD 8mn), Banks (-USD 6.7mn), Individuals (-USD 6.4mn), Brokers (-USD 3.5mn), and Insurance (-USD 1.8mn) during Feb'24.
- Whereas, mutual funds were engaged in buying of USD 4.2mn during the month.

Figure: Local Investors Portfolio Investment (Feb-24)



Source (s): NCCPL, AHL Research

Figure: Figure: Sector wise LIPI Feb-24



Source (s): NCCPL, AHL Research

PSX Performance - Feb 2024

Outlook & Recommendation

On the political front, the formation of a government at the centre via a coalition of major victorious political parties will keep the investor sentiment positive. Moreover, the government and SBP have fulfilled almost all the performance criteria for the final review of IMF's Standby Arrangement Program, where a third tranche of USD 1.1bn will be disbursed in Apr'24 upon successful review. Additionally, investors will closely monitor the formation of the cabinet and the key portfolios while the two major tasks for the new gov't would be the negotiation of a new IMF program alongside the finalization of the FY25 budget.

We expect the inflation to decline during the month of Mar'24 due to a high base effect. Nevertheless, it is important to recognize various risk factors that might affect these forecasts, such as: i) fluctuations in food prices (associated with Ramadan), ii) potential depreciation of the PKR against the USD, and iii) continuous rises in international oil prices.

The KSE-100 is currently trading at a PER of 4.2x (2024) as compared to its 5-year average of 5.9x offering a dividend yield of ~10.5% as compared to its 5-year average of ~7.7%. Our preferred stocks are OGDC, MARI, MCB, UBL, MEBL, FABL, HBL LUCK, MLCF, FCCL, FFC, HUBC, PSO and INDU.

PSX Performance - Feb 2024

World Indices Performance

Exhibit: World's Major Stock Market Performance (USD based return, Feb'24)

Sr#	Index	Country	Index	Return (%)	Sr#	Index	Country	Index	Return (%)
1	KZKAK Index	Kazakhstan	4,803	12.3	39	DSEX Index	Bangladesh	6,255	1.7
2	NSEASI Index	Kenya	92	9.7	40	SPTX Index	Canada	21,364	0.2
3	SHSZ300 Index	China	3,516	9.1	41	IBOV Index	Brazil	129,020	0.2
4	MSETOP Index	Mongolia	44,556	8.3	42	RTSI\$ Index	Russia	1,127	0.2
5	SASEIDX Index	Saudi Arabia	12,631	7.1	43	BUX Index	Hungary	65,939	0.1
6	VNINDEX Index	Vietnam	1,253	6.6	44	MSM30 Index	Oman	4,555	(0.2)
7	HSI Index	Hong Kong	16,511	6.5	45	IMOEX Index	Russia	3,257	(0.2)
8	WIG20 Index	Poland	2,418	5.9	46	SOFIX Index	Bulgaria	788	(0.2)
9	SBITOP Index	Slovenia	1,407	5.7	47	BEL20 Index	Belgium	3,661	(0.5)
10	FTSEMIB Index	Italy	32,581	5.5	48	JOSMGNFF Index	Jordan	2,467	(0.5)
11	KOSPI Index	South Korea	2,642	5.4	49	SEMDEX Index	Mauritius	2,066	(0.5)
12	NKY Index	Japan	39,166	5.3	50	GGSECI Index	Ghana	3,228	(0.6)
13	CSEALL Index	Sri Lanka	10,652	5.3	51	UKX Index	UK	7,630	(0.8)
14	NDX Index	USA	18,044	5.3	52	SET Index	Thailand	1,371	(0.8)
15	SPX Index	USA	5,096	5.2	53	FSSTI Index	Singapore	3,142	(1.0)
16	XU100 Index	Turkey	9,194	5.1	54	VILSE Index	Lithuania	958	(1.0)
17	BELEX15 Index	Serbia	926	5.1	55	IBEX Index	Spain	10,001	(1.2)
18	TWSE Index	Taiwan	18,967	5.0	56	TALSE Index	Estonia	1,755	(1.3)
19	SXSE Index	Europe	4,878	4.5	57	AS51 Index	Australia	7,699	(1.3)
20	PCOMP Index	Philippines	6,945	4.4	58	PFTS Index	Ukraine	507	(1.3)
21	KSE100 Index	Pakistan	64,579	4.3	59	LUXXX Index	Luxembourg	1,489	(1.4)
22	DAX Index	Germany	17,678	4.1	60	OBXP Index	Norway	558	(1.5)
23	IPSA Index	Chile	6,450	3.9	61	SMI Index	Switzerland	11,439	(1.8)
24	OMX Index	Sweden	2,453	3.8	62	PX Index	Czech Republic	1,457	(2.2)
25	DSM Index	Qatar	10,475	3.7	63	NZSE Index	New Zealand	1,767	(2.3)
26	ASE Index	Greece	1,425	3.7	64	RIGSE Index	Latvia	1,336	(2.5)
27	KFX Index	Denmark	2,534	3.5	65	ADSMI Index	UAE	9,255	(2.7)
28	DFMGI Index	Dubai	4,309	3.4	66	MEXBOL Index	Mexico	55,414	(2.8)
29	AEX Index	Netherland	848	3.2	67	BHSEASI Index	Bahrain	2,005	(3.0)
30	CAC Index	France	7,927	3.1	68	PSI20 Index	Portugal	6,158	(3.1)
31	ISEQ Index	Ireland	9,490	2.9	69	ATX Index	Austria	3,348	(3.6)
32	EGX30 Index	Egypt	28,964	2.4	70	HEX Index	Finland	9,839.5	(3.7)
33	FBMKLCI Index	Malaysia	1,551	2.2	71	JALSH Index	South Africa	72,730	(5.2)
34	TUSISE Index	Tunisia	8,630	2.2	72	ICEXI Index	Iceland	2,222	(6.1)
35	INDU Index	USA	38,996	2.2	73	BLOM Index	Lebanon	1,753	(8.0)
36	BET Index	Romania	15,891	2.1	74	MERVAL Index	Argentina	1,014,712	(21.0)
37	CRO Index	Croatia	2,728	1.8	75	NGSEINDX Index	Nigeria	99,980	(45.0)
38	JCI Index	Indonesia	7,316	1.8					

Source (s): Bloomberg, AHL Research

Analyst Certification and Disclaimer

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Equity Research Ratings

Arif Habib Limited (AHL) uses three rating categories, depending upon return from current market price, with Target period as Dec 2024 for Target Price. In addition, return excludes all type of taxes. For more details, kindly refer the following table;

Rating	Description
BUY	Upside of subject security(ies) is more than +15% from last closing of market price(s)
HOLD	Upside of subject security(ies) is between -15% and +15% from last closing of market price(s)
SELL	Upside of subject security(ies) is less than -15% from last closing of market price(s)

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)

Risks: The following risks may potentially impact our valuations of subject security (ies);

- Market risk
- Interest Rate Risk
- Exchange Rate (Currency) Risk

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In order to avoid any conflict of interest, we hereby disclosed that;

Arif Habib Limited (AHL) has a shareholding in PPL, NBP, BOP, PSO, FCCL, MLCF and SNGP.