PAK-QATAR ASSET MANAGEMENT پاک قطر

Market Summary

	31-Dec-22	15day	30day	90day	FYTD	CYTD
KSE100	40,420	-2.13%	-4.7%	-1.7%	-2.7%	-9.4%
KMI30	68,278	-1.77%	-4.9%	1.2%	-0.7%	-4.8%
KMIAll	19,987	-0.41%	-4.0%	-3.6%	-4.4%	-9.3%

Global Markets

	31-Dec-22	15day	30day	90day	FYTD	CYTD
UK	7,452	-1.6%	1.4%	-7.5%	-3.8%	-0.9%
USA	10,466	2.3%	9.7%	1.0%	5.4%	49.5%
China	3,089	2.5%	2.5%	-6.3%	10.0%	17.8%
Japan	26,095	5.5%	8.2%	-0.6%	1.1%	10.3%
India	60,841	0.8%	4.0%	-5.6%	-12.9%	-4.3%

Portfolio Investments (USD mn)

	7 days	30 days	90 days	365days	FYTD	CYTD
FIPI (net)	(17)	(34)	(18)	(48)	(1)	(48)
LIPI (net)	17	34	18	48	1	48
Ind.	(8.5)	(6)	25	133	48	133
Banks/DFIs	23.9	44	41	137	50	137
Companies	0.8	14	14	74	23	74
M.Funds	(1.8)	(14)	(28)	(181)	(64)	(181)
Brokers	(0.8)	(5)	(15)	(15)	(7)	(15)
Others	3.9	5	6	34	16	34
Ins.	(0.8)	(3)	(22)	(130)	(63)	(130)
NBFC	(0.1)	(1)	(3)	(3)	(2)	(3)

Key Economic Figures

		FY19	FY20	FY21	Fy22	31-Dec
Policy Rate	31-Dec-22	10.8%	7.0%	7.0%	13.8%	16.0%
1yr KIBOR	31-Dec-22	13.6%	7.4%	8.1%	15.7%	17.3%
Inflation	Dec-22	8.8%	7.8%	9.8%	21.3%	24.5%
PKR USD*	31-Dec-22	163.1	168.2	157.3	204.8	226.4

Key Economic Figures

		FY19	FY20	FY21	Fy22	FY23-TD
Imports	USD'mn	51,869	46,417	56,380	72,048	31,382
Exports	USD'mn	24,257	23,462	25,304	32,450	14,249
Trade Deficit	USD'mn	(27,612)	(22,955)	(31,076)	(39,598)	(17,133)
Remittances	USD'mn	21,740	23,131	29,370	31,238	11,952
FX Reserves	USD'mn	14,482	18,886	24,398	15,742	11,707

PKRV Rates (change in bps)

	Rate %	15day Δ	1m Δ	3m Δ	6m Δ	12m Δ
PKRV 1Y	17.00	9	8	126	156	562
PKRV 3Y	15.64	38	58	181	180	422
PKRV 5Y	14.61	37	65	149	139	315
PKRV 10Y	13.76	24	26	91	61	214
PKRV 20Y	13.80	(16)	(16)	32	24	144

**Inter Bank Rate*

KSE100 Index Top Ten Sector Details (on Free Float Market Capitalization)

SECTORS	Index Weight (%)	Current Market Cap (PKR'Bn)	Previous Week Market Cap (PKR'Bn)	Change (%) in Market Cap.
COMMERCIAL BANKS	20	313	318	(1.51)
FERTILIZER	14	221	225	(1.95)
OIL & GAS EXPLORATION COMPANIES	13	194	180	7.95
CEMENT	7	111	115	(3.83)
CHEMICAL	3	52	54	(2.06)
OIL & GAS MARKETING COMPANIES	4	57	56	2.25
PHARMACEUTICALS	3	40	42	(5.63)

Commentary

CY22 has ended mesmerized by local political and economic traumas. Pakistan walked on tight economic rope with feeble reserves, managed by restricted imports and IMF aid to defer default risk. Major agencies kept notching down country rating which shacked in investors' confidence. The country was guineapig for political battle with change of faces to distract the severe farce of major geopolitical chessboard, exacerbated by conflicts, resurgence of COVID pressure which kept the commodity prices up. These resulted in difficult scenarios with gov. left with limited room except to follow the IMF stringent dictate on masses i.e., the documented economy. Gauging economic trauma, some circles have stated floating view of replacing political govt. with a technocrat setup. This is in our opinion has an embedded flaw as key stakeholders are the political power centers in Pakistan while a technocrat setup is a weaker version of governance, what is required is a consensus on rationale economic decisions which is more inclusive to accommodate a pattern of consistent growth.

The calendar year marked healthy returns for Gold, Naya Pakistan USD Certificate, USDKR while local bourse remained in redzone. Investors took cover in money market as the stocks slide continued and interest rates offered a competitive yield vis-à-vis inflation. Pakistan with a vibrant educated class needs a stable law & order situation to boost investors' confidence to promote entrepreneurship, replacing import dependence with local output, promote FDIs which will stay over long term. SBP measures for Roshan Digital Accounts to promote Overseas Pakistanis' confidence along cannot produce the desired result unless wealth translates into exportable surplus. Pakistan exports to GDP needs to match its consumption demand for which either resources have to be rechanneled or demand curtailed. In short term, the latter has been the choice of the govt. which met severe resistance as LCs got stuck forcing shutdown on high import dependent industries. Gov. also remains reliant on textile which itself concentrated on lower value chain. Also, Pakistan needs to balance trade balance on country-wise with major contributors be balanced either by FDIs or negotiated transfer of industries.

Current Account Deficit (CAD) combined with upcoming maturities for CY23 portrays a bleak picture for the economy. Pakistan has been honoring external debt maturities with help from neighboring/friendly counties. The country needs ~USD23 billion for upcoming debt maturities which combined with ~USD10 billion CAD has been putting stress on USDKR. The way out in short term is either IMF or Chinese loans both comes with set of conditionalities/repercussion. Pakistan without a extravagance of US-Afghan transit aid/reward would now have to manage the economic affairs at its own. This would surely require a rethinking on managing subsidies, documenting the economy, expanding tax net.

The bourse also indicated investors sentiments with KSE100 declining by 10% for CY22. The cyclicals remained the major draggers despite buybacks announced by major shareholders. Investors took cover in fixed income i.e., short term instruments as interest rates notched up despite the real returns remaining in negative zone. This also was ponded with US FED increasing its policy rate putting local central bank with little options to press on with policy rate to achieve certain face saving for investors. Foreign Portfolio Investment remained net sellers to the tune of USD48 million along with local Mutual Funds and Insurance Companies while Individuals and Banks remained major buyers for CY22. Market sentiment will remain soft with CPI hovering over 25% while central bank monetary vigilance to continue for FY23.

31-Dec-22