

Pak-Qatar Asset Management Company Limited

Keynote June 28, 2024

Market Summary

	28-Jun-24	MTD	30days	90days	FYTD	CYTD
KSE100	78,445	10.33%	4.8%	17.1%	89.2%	25.6%
KMI30	126,424	5.84%	2.5%	12.5%	78.7%	20.7%
KMIAll	34,854	4.75%	1.5%	10.4%	70.4%	13.7%

Global Markets

	28-Jun-24	MTD	30days	90days	FYTD	CYTD
UK	8,164	-0.2%	0.2%	-2.6%	-7.7%	-5.3%
USA	17,724	-11.7%	-4.5%	-7.5%	-22.2%	-15.3%
China	2,967	4.6%	4.8%	2.5%	7.9%	0.3%
Japan	34,854	10.2%	10.6%	15.8%	-4.8%	-4.0%
India	79,033	-5.8%	-5.7%	-8.3%	-18.1%	-8.6%

Portfolio Investments (USD mn)

	7 days	30 days	90 days	365days	FYTD	CYTD
FIPI (net)	3	3	66	141	141	143
LIPI (net)	(3)	(3)	(66)	(141)	(141)	(143)
Ind.	0	(21)	(44)	(60)	(60)	(24)
Banks/DFIs	(2)	(9)	(29)	(141)	(141)	(118)
Companies	1	14	5	36	36	113
M.Funds	(6)	2	8	(47)	(47)	(128)
Brokers	5	6	5	(21)	(21)	(28)
Others	(2)	(4)	(16)	(33)	(33)	(24)
Ins.	0	9	5	126	126	65
NBFC	0	(0)	(1)	(1)	(1)	1

Key Economic Figures

	FY20	FY21	FY22	FY23	28-Jun	
Policy Rate	28-Jun-24	7.0%	7.0%	13.8%	22.0%	20.5%
1yr KIBOR	28-Jun-24	7.4%	8.1%	15.7%	23.3%	19.2%
Inflation	Oct End	7.8%	9.8%	21.3%	29.4%	12.6%
PKR USD*	28-Jun-24	168.2	157.3	204.8	286.0	279.0%

Key Economic Figures

	FY20	FY21	FY22	FY23	FY24-TD	
Imports	USD'mn	46,417	56,380	72,048	51,979	48,402
Exports	USD'mn	23,462	25,304	32,450	27,903	28,678
Trade Deficit	USD'mn	(22,955)	(31,076)	(39,598)	(24,076)	(19,724)
Remittances	USD'mn	23,131	29,370	31,238	27,028	27,093
FX Reserves	USD'mn	18,886	24,398	15,742	9,181	14,207

PKRV Rates (change in bps)

	Rate %	15day Δ	1m Δ	3m Δ	6m Δ	12m Δ
PKRV 1Y	18.68	(212)	(118)	(205)	(264)	(425)
PKRV 3Y	16.50	(11)	(11)	(24)	(4)	(297)
PKRV 5Y	15.37	(8)	(3)	(20)	(53)	(71)
PKRV 10Y	14.09	(9)	(6)	(13)	(82)	(123)
PKRV 20Y	13.97	(4)	(3)	(5)	(71)	(131)

*Inter Bank Rate

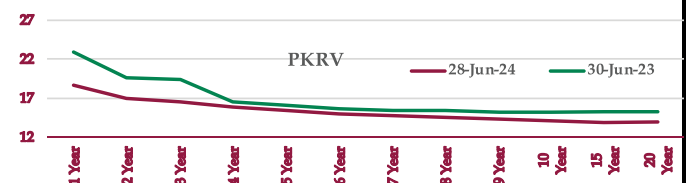
KSE100 Index Top Ten Sector Details (on Free Float Market Capitalization)

SECTORS	Index Weight (%)	Current Market Cap (PKR'Bn)	Previous Market Cap (PKR'Bn)	Change (%) in Market Cap.
COMMERCIAL BANKS	20	647	600	7.96
FERTILIZER	7	330	311	6.17
OIL & GAS EXPLORATION COMPANIES	14	302	304	(0.78)
CEMENT	5	193	189	1.98
CHEMICAL	4	48	50	(3.17)
OIL & GAS MARKETING COMPANIES	2	70	72	(2.15)
PHARMACEUTICALS	2	63	59	5.69

Commentary

Economic Review: FY2024 is set to conclude on a path of economic stabilization, marked by improved macroeconomic indicators. Easing inflationary pressures, stable external accounts and exchange rate, fiscal consolidation, and a gradual recovery in industrial activities are boosting the confidence of economic agents, thereby fostering economic growth. The inflation outlook for June 2024 has experienced a slight uptick compared to the previous month. The National CPI kept hovered at 12.6%, driven by rising vegetable prices and Fuel cost adjustments being passed on to consumers. Meanwhile, real interest rates are showing a positive trend while also maintains the Current Account deficit. Externally, there has been a sustained improvement in the current account balance. For the period of July to May FY2024, the current account reported a deficit of \$0.5 billion, a significant improvement from the \$3.9 billion deficit recorded last year. This improvement is largely due to better trade balances and increased remittances. As of June 26, 2024, Pakistan's total liquid foreign exchange reserves rose to \$13.1 billion. The State Bank of Pakistan (SBP) held \$7.9 billion, while commercial banks' reserves amounted to \$5.2 billion. Following the budget announcement, the immediate impacts on the Pakistani Rupee (PKR) and overall market sentiment were closely examined. The Finance Minister's confident assertion of securing an IMF agreement by July sparked a surge in market activity, prompting exporters to show a strong interest in selling short-term forwards. However, the budget revealed a significant \$20 billion financing gap, comprising \$18 billion in foreign loan repayments and \$2.5 billion in short-term credits. This substantial financial deficit underscores the urgent necessity for IMF support and external funding to stabilize Pakistan's fiscal situation amid challenging conditions. Regarding inflation and interest rates, the government's budget presents a blend of ambition and realism: it aims for a GDP growth rate of 3.6% and forecasts inflation at 12%. The outlined revenue targets and increased expenditures, particularly for debt servicing, suggest an inflationary outlook. If global oil and commodity prices remain stable, achieving the 12% inflation target seems feasible. However, the fiscal plan indicates that an average interest rate of 15-16% for FY 2024-25 is sensible, with a potential reduction to 10-11% by June 2025.

Stock Market Review: During the month, the KSE100 recorded a gain of 10.33%, and the KMI 30 also showed positive returns, marking a 5.84% increase. Notably, the Commercial Banks, Fertilizers and Pharmaceuticals have experienced positive sentiments. The Central Bank maintained a stable policy rate, leading market participants to adopt a stable approach, anticipating the peak of the interest rate cycle. Notable performers in the KMI 30 index for the month included FABL, AIRLINK, UNITY, PIOC and NETSOL witnessing increased trading prices. Conversely, ATRL, SYS, PRL, ILP and TPLP experienced noticeable decreases in their trading prices. The overall budget impacts various sectors differently. It is positive for the Auto Assemblers & Parts, Pharmaceutical, and Tobacco sectors, where government interventions are designed to modify costs, influence demand patterns, and potentially reshape the competitive landscape. Conversely, the budget is neutral for Banks, Chemicals, Technology, E&P, Refinery, Sugar & Allied Industries, and Food & Personal Care Products. However, it negatively affects the Textile & Leather, Cement, Steel, Cable & Electrical Goods, Telecommunication, and Fertilizer sectors due to increased sales tax or the withdrawal of import duty exemptions.



28-Jun-24

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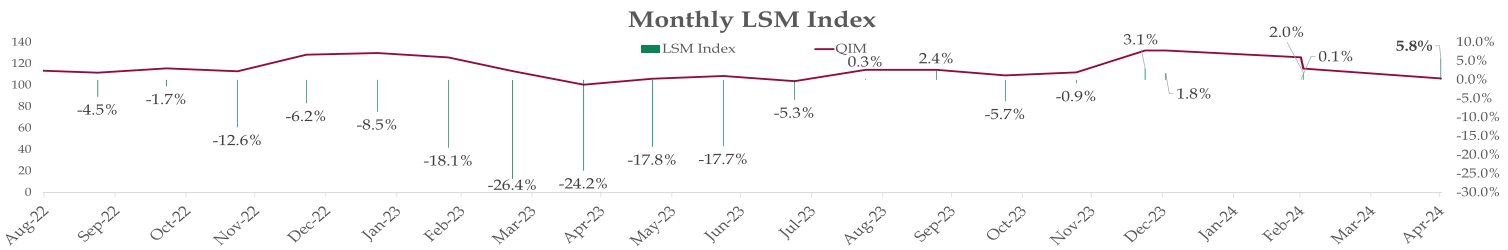
Pakistan Macro Report - Large Scale Manufacturing Index

In April 2024, LSM output (based on 2015- 16 base) came in at 5.8% YoY, while 10MFY24 index has increased by 0.3%.

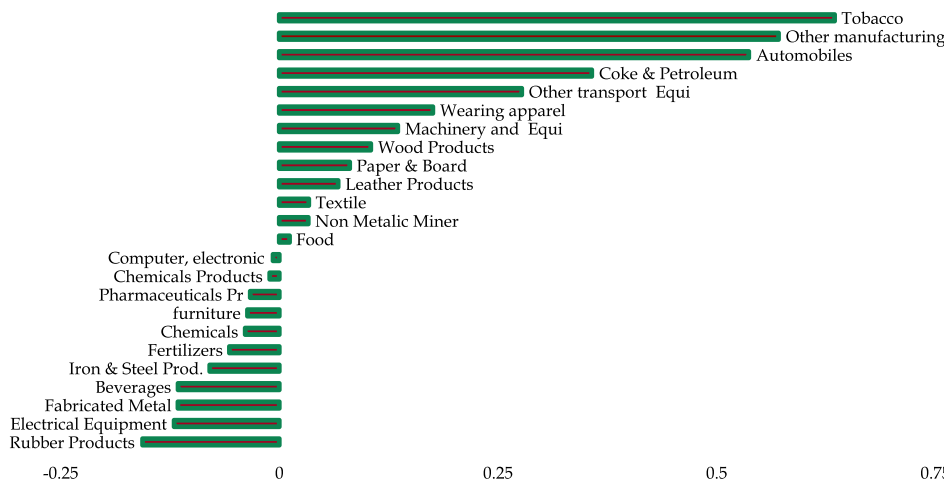
The industries that made positive contributions during April were Coke & Petroleum which saw a significant boost of 35.7%, Food has increased by 1.2% and Wearing Apparel rose by 17.6% while the Textile sector grew by 3.4%. However, the Chemicals industry declined by 3.9%, and the Pharmaceuticals dropped by 3.3% during the same period.

Description	Apr'24	Apr'23	YoY	Mar'24	MoM	10MFY24	10MFY23	YoY
LSM Index	106.4	100.6	5.8%	115.5	-7.95%	116.6	116.25	0.3%

Manufacturing Sector	Weights		YoY	
	%	Apr'24	Mar'24	10MFY24
Textile	18.16%	3.4%	5.2%	-6.3%
Food	10.70%	1.2%	-5.8%	1.9%
Coke & Petroleum	6.66%	35.7%	12.8%	8.7%
Chemicals	6.48%	-3.9%	11.6%	6.9%
Wearing apparel	6.08%	17.6%	18.2%	10.3%
Pharmaceuticals	5.15%	-3.3%	-0.5%	21.9%
Non Metallic Miner	5.01%	3.3%	-3.5%	-1.4%

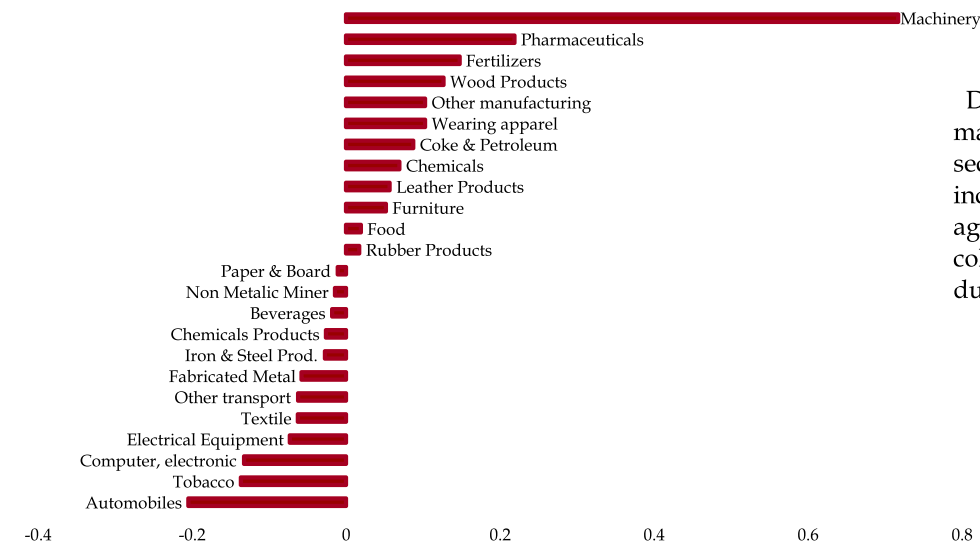


Growth of various sector during Apr'24



In April 2024, various sectors showed significant growth. The tobacco industry experienced higher demand, and other manufacturing sectors grew due to innovation and increased production. The automobile sector expanded further with technological advancements and more consumer spending. The coke and petroleum sector also saw substantial growth, driven by rising energy needs. Overall, this sectoral growth suggests a positive economic trend for the period.

Growth of various sectors during 10MFY24



During the first ten months of FY24, the machinery, pharmaceuticals, and fertilizers sectors experienced significant growth due to increased demand, healthcare needs, and agricultural activities. These sectors collectively bolstered economic momentum during this period.