

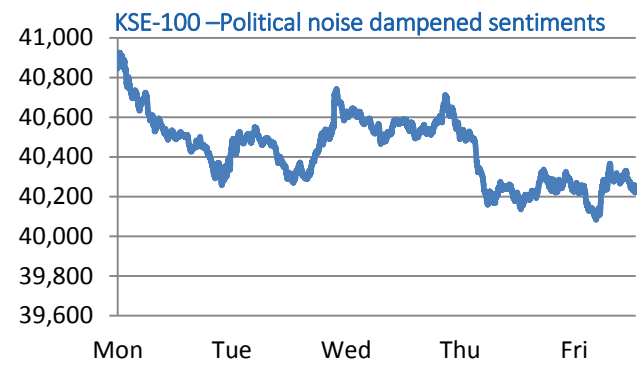


The Week in Review

For the period Nov 20, 2017 – Nov 24, 2017

News This Week

- Forex reserves decline
- Current account deficit nearly doubles to USD5.0bn in July-Oct
- Stock of circular debt 20% higher
- Fiscal deficit may soar to 8.5%
- Raising USD2-3bn: government lays out plans
- Govt may ban import of furnace oil
- Assembly, distribution of vehicles Groupe Renault, Al-Futtaim sign agreements
- RD on import of 731 listed items: LHC makes SRO inapplicable



Stock Market Overview

- The benchmark KSE100 index slid by 1.5%WoW to settle at 40,248 level. The week started off on a bearish note amid ongoing sit-in by religious parties, dampening investor’s sentiment. Consequently, lack of triggers during the week kept investors at bay. Trading activity in the week picked up marginally with ADT witnessing an increase of 5.8%WoW. Foreign investors remained net seller during the week, exhibiting an outflow of USD6.3mn.
- PAKT, PMPK, TRG, INIL and CPPL were the major gainers while BNWM, NPL, NCPL, SNGP, and NESTLE were the major losers in the benchmark KSE-100 this week.

KSE-100: Political noise dampened sentiments

Date	Open	High	Low	Close	Change	Vol (mn)
20-Nov-17	40,844	40,923	40,260	40,317	-1.3%	94
21-Nov-17	40,353	40,604	40,272	40,549	0.6%	102
22-Nov-17	40,643	40,742	40,466	40,592	0.1%	157
23-Nov-17	40,626	40,713	40,137	40,266	-0.8%	102
24-Nov-17	40,277	40,368	40,083	40,248	0.0%	106

Market Review

The benchmark KSE100 index slid by 1.5%WoW to settle at 40,248 level. The week started off on a bearish note amid ongoing sit-in by religious parties, dampening investor's sentiment. Consequently, lack of triggers during the week kept investors at bay. Trading activity in the week picked up marginally with ADT witnessing an increase of 5.8%WoW. Foreign investors remained net seller during the week, exhibiting an outflow of USD6.3mn.

During the week, LHC granted interim relief (SRO inapplicable) to importers that filed writ petitions against recently imposed regulatory duty on 731 items. Also, following government's decision to shut down FO based power plants which choked storage facilities, government is then considering to impose a ban on import of furnace oil and ask FO based power plants to lift some to ease pressure from refineries.

On the macro front, country's foreign exchange reserves declined to USD19.7bn on the back of external debt repayments. Additionally, the current account deficit ballooned to USD5.01bn during the first four month of FY18, up by massive 122%YoY. On the other hand, power sector's circular debt reached PKR750bn of which PKR421bn falls in the government's definition of circular debt whereas PKR327bn is parked in the books of Power Holding Limited (PHPL). Faced with huge current account deficit and depleting foreign exchange reserves, government plans to raise USD2-3bn through Eurobond and Sukuk with tenors ranging from 5-30yrs.

Outlook

With monetary policy statement scheduled to be announced today, we expect interest rates to remain unchanged. Moreover, we expect market volatility to persist amid political uncertainty.

News This Week

Economic highlights & Data points

Forex reserves decline | (The News): Pakistan's total liquid foreign exchange reserves declined to USD19.7bn during the week ended November 17 as compared to USD19.71bn during the previous week, the central bank said on Thursday. The State Bank of Pakistan's foreign exchange reserves went down to USD13.5bn during the week under review from USD13.7bn, it said.

Current account deficit nearly doubles to USD5.0bn in July-Oct | (The News): The State Bank of Pakistan (SBP) recorded USD5.0bn of current account deficit in the first four months of FY18 as compared to USD2.3bn in the corresponding period a year earlier. In October, the current account deficit stood at USD1.3bn, up 19.9% over September.

Stock of circular debt 20% higher | (BR): Power sector's circular debt has reached PKR750bn of which PKR421bn falls squarely in the government's definition of circular debt whereas PKR327bn is parked in the books of Power Holding (Private) Limited (PHPL). The stock of circular debt is 20% higher than the maximum stock of PKR350bn agreed with the International Monetary Fund (IMF).

Fiscal deficit may soar to 8.5% | (BR): The fiscal deficit in the current fiscal year may reach the level the PML-N inherited in 2013 - 8.5% - unless a mini budget is unveiled to meet the growing revenue shortfall coupled with a rising expenditure bill compared to what was budgeted. This was the outcome of an anecdotal survey of economists and analysts.

Raising USD2-3bn: government lays out plans | (BR): Faced with large current account deficit and prospects of drawdown in foreign exchange reserves, Pakistan government has laid out plans to raise USD2-3bn in Eurobond and Sukuk (Islamic bonds). The government plans to hold investor road shows for the purpose this week and the next week. The actual issuance of the bond may take place in the next few weeks.

Sector and Corporate highlights

Govt may ban import of furnace oil | (Dawn): Amid grim supply challenges following topped up storages, the government is likely to impose an immediate ban on import of furnace oil and ask some of the oil-based power plants to lift some stocks for easing pressure on refineries.

Sugar mills fear PKR189bn default on payment as 'govt indecisive' on exports | (The News): Sugar mills are feared to default on paying a huge PKR189bn to the growers as government's indecisiveness to allow sweetener's exports on desirable rebates created liquidity crunch in the industry, a top official said on Wednesday.

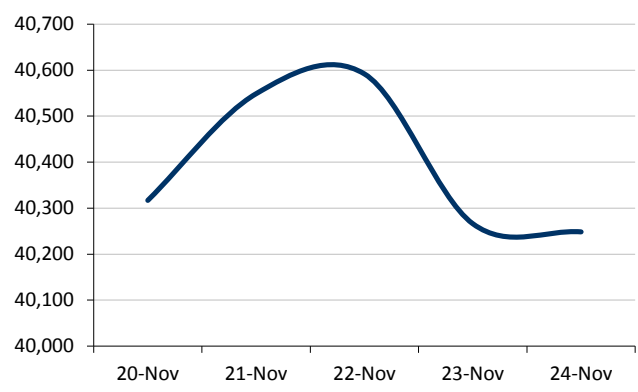
Inclusion of auto sector in FTAs: PAAPAM opposes government's proposal | (BR): The Pakistan Association of Automotive Parts & Accessories Manufacturers has expressed serious concerns on the government's proposal to include the auto sector in Free Trade Agreements (FTAs) with Turkey, Thailand & other countries. It said the Auto Development Policy (ADP), issued by ECC on 21st March, 2016, is the sole authentic document that governs the future policy for the auto sector. Including auto sector in any FTA would discredit the Government and scare away massive investments in the pipeline.

Assembly, distribution of vehicles Groupe Renault, Al-Futtaim sign agreements | (BR): Groupe Renault and Al-Futtaim on Monday announced that they have signed definitive agreements for the exclusive assembly and distribution of Renault vehicles in Pakistan.

RD on import of 731 listed items: LHC makes SRO inapplicable | (BR): Lahore High Court (LHC) has made SRO No. 1035(I)/2017, inapplicable till final outcome of the writ petitions. Under this SRO, regulatory duty (RD) has been charged the rates ranging from 10-45% on import of 731 listed items. It is learnt that on multiple writ petitions (WP No. 108547 of 2017) filed by the importers, Lahore High Court has granted interim relief, ordering that any regulatory duty to be paid by the petitioners shall be subject to the final outcome of the petitions.

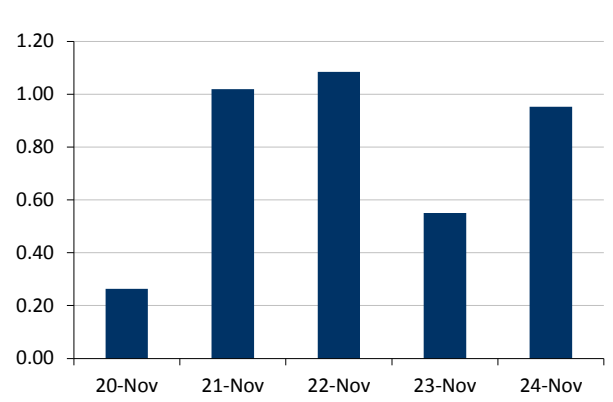
Stock Market – Last week in pictorals

Chart 1: KSE-100 Index



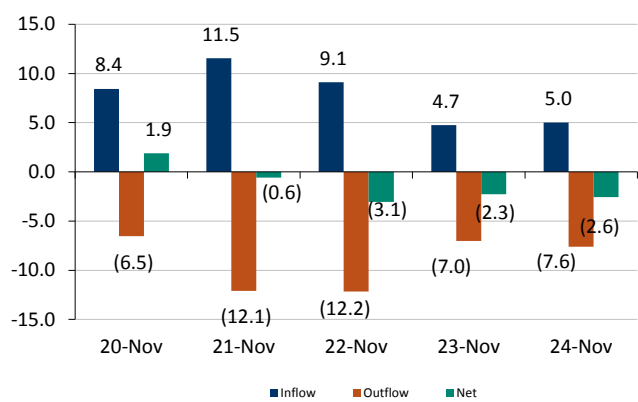
Source: PSX

Chart 2: KSE Advance/Decline Ratio



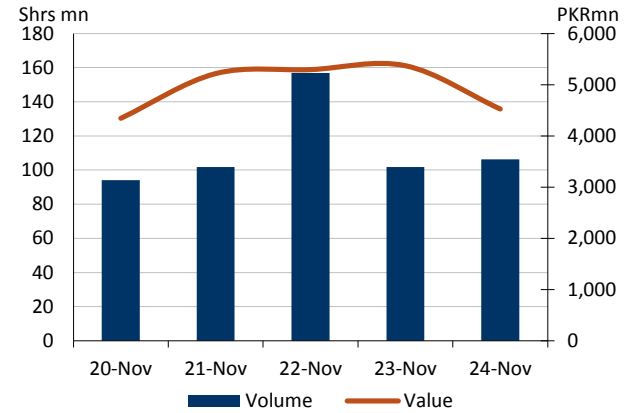
Source: PSX

Chart 3: Pak Foreign Portfolio Flows (US\$m; US\$=PKR105)



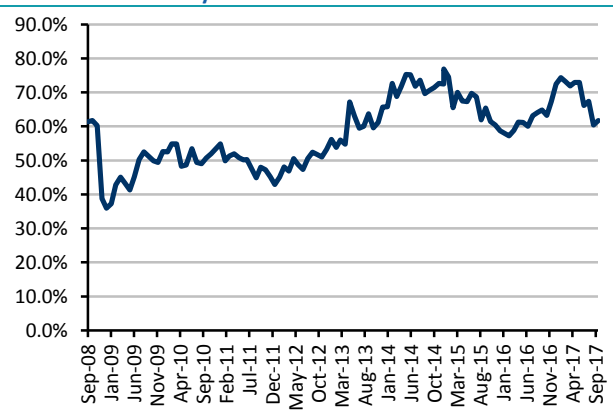
Source: NCCPL

Chart 4: KSE- Volumes & Values



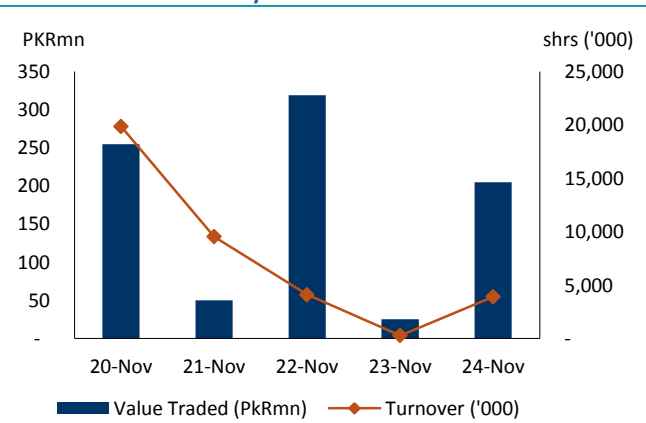
Source: PSX

Chart 5: Price to Money Ratio



Source: NCCPL

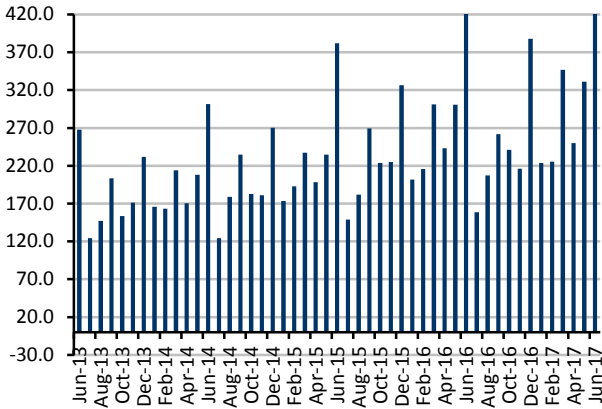
Chart 6: Off market activity



Source: PSX

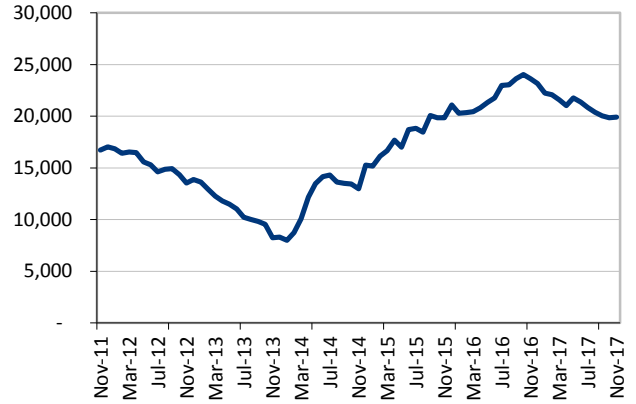
Economy Watch

Chart 7: Revenue Collection (PKRbn)



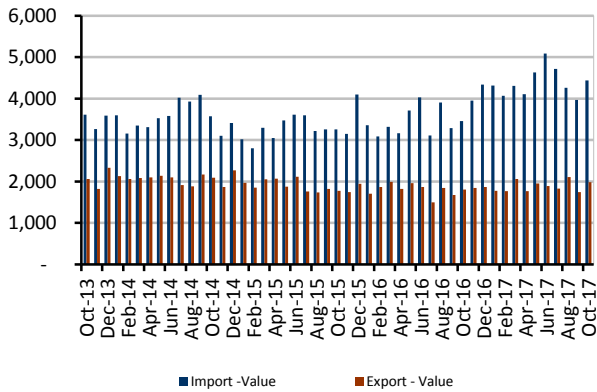
Source: SBP

Chart 8: Forex Reserves (US\$mn)



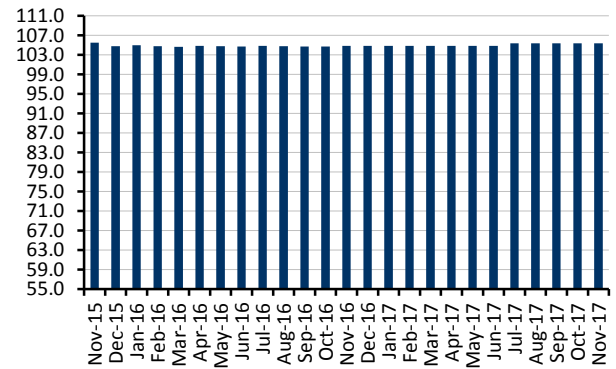
Source: SBP

Chart 9: Import & Export (US\$mn)



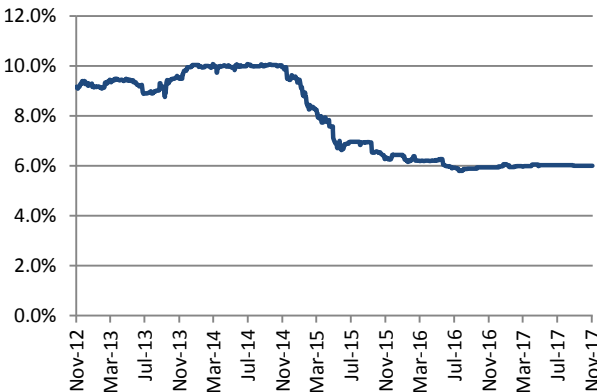
Source: SBP

Chart 10: Foreign Exchange Rate (PKR/US\$)



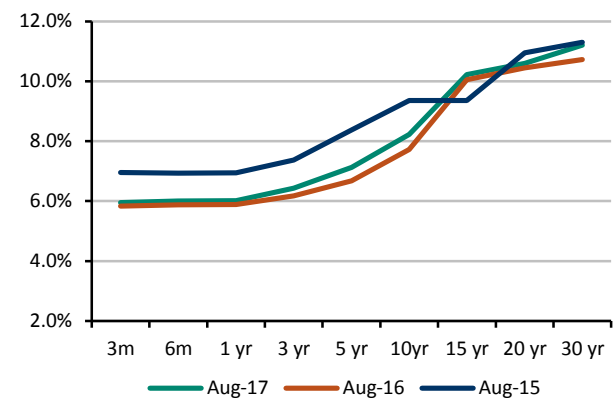
Source: SBP

Chart 11: 6-mth T-Bill Yield (%)



Source: SBP

Chart 12: Yield Curve (%)

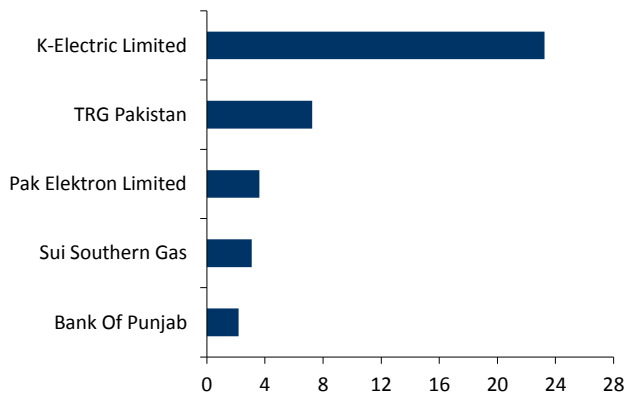


Source: SBP

Stock Market Synopsis

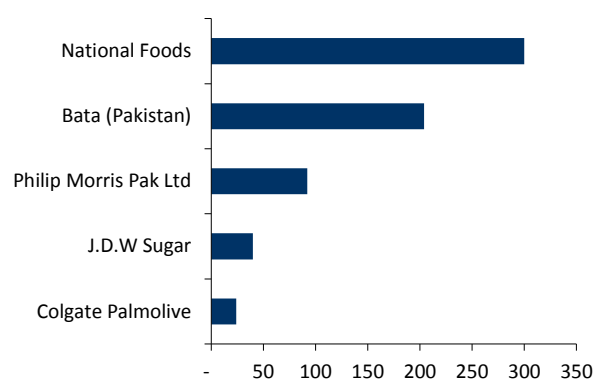
	Last week	This Week	%Change	1M	3M	12M
Mkt. Cap (US \$ bn)	79.9	79.2	-0.9%	80.5	83.6	83.5
Avg. Dly T/O (mn. shares)	106.0	112.2	5.8%	115.3	138.2	259.2
Avg. Dly T/O (US\$ mn.)	51.0	46.9	-7.9%	57.8	67.8	124.8
No. of Trading Sessions	5.0	5.0	0.0	24.0	65.0	252.0
KSE 100 Index	40,844.4	40,248.4	-1.5%	41,291.7	42,268.6	42,949.7
KSE ALL Share Index	29,261.9	29,011.2	-0.9%	29,418.4	30,032.5	29,703.2

Chart 13: KSE-100 Active Issues (ADTO-million shares)



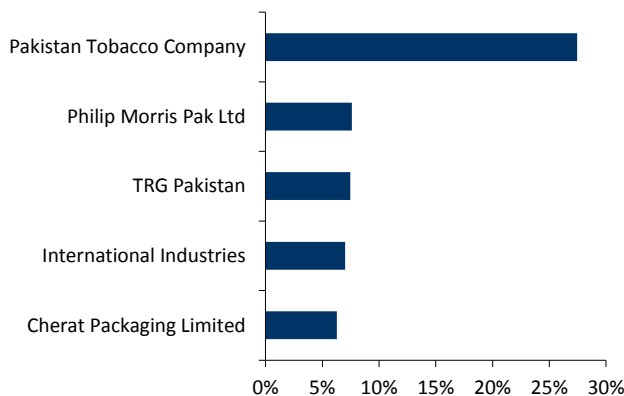
Source: PSX

Chart 14: KSE-100 Least Traded Issues (ADTO- shares)



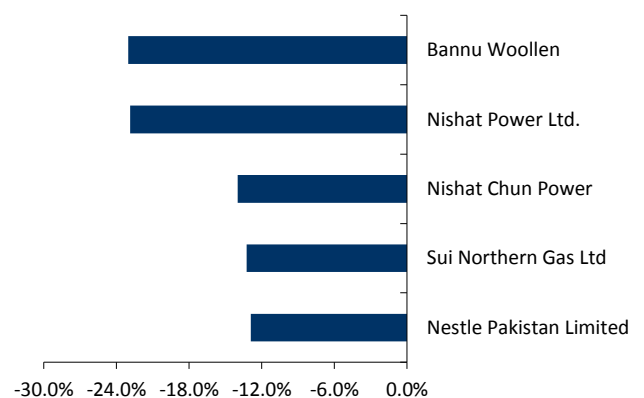
Source: PSX

Chart 15: KSE-100 Top Gainer (% change)



Source: PSX

Chart 16: KSE-100 Top Losers (% change)



Source: PSX

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