

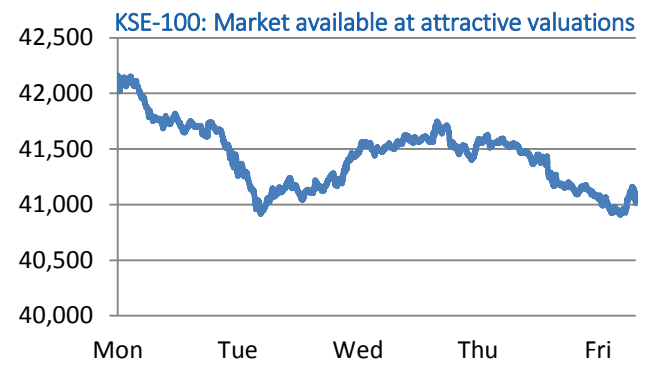


The Week in Review

For the period Oct 23, 2017 – Oct 27, 2017

News This Week

- Foreign reserves drop by USD216mn
- Sukuk, Eurobond issuance awaits finance minister’s green signal
- NTC slaps 19.15% anti-dumping duty on Chinese steel imports
- 1Q current account deficit soars to USD3.6bn YoY
- Govt borrowed massive USD1.5bn in three months
- World Bank to give USD425mn for power sector
- Govt clears PKR2bn of fertilizer subsidy claims
- CCP imposes PKR6.5bn penalty to discourage cartelization



Stock Market Overview

- The local bourse snapped gains of last week to close lower on profit-taking, dragging benchmark index to 41,105, down by 2.3%WoW. The market participation deteriorated significantly as ADT and ADTV decreased by 27%WoW and 24%WoW. Foreign institutional investors remained net seller during the week with an outflow of USD5.36mn.
- FML, BNWM, PAKT, PICT and DAWH were the major gainers while PAEL, CJPL, PIOC, NCL, and POML were the major losers in the benchmark KSE-100 this week.

KSE-100: Market available at attractive valuations

Date	Open	High	Low	Close	Change	Vol (mn)
23-Oct-17	42,149	42,162	41,414	41,484	-1.4%	153
24-Oct-17	41,447	41,484	40,914	41,292	-0.5%	143
25-Oct-17	41,305	41,627	41,292	41,595	0.7%	103
26-Oct-17	41,637	41,746	41,355	41,409	-0.4%	140
27-Oct-17	41,413	41,420	40,904	41,105	-0.7%	133

Market Review

The local bourse snapped gains of last week to close lower on profit-taking, dragging benchmark index to 41,105, down by 2.3%WoW. The market participation deteriorated significantly as ADT and ADTV decreased by 27%WoW and 24%WoW. Foreign institutional investors remained net seller during the week with an outflow of USD5.36mn.

Key developments during the week included imposition of definitive antidumping duty on imported rebar from China at 19.15%. Longrolled manufacturers with re-rolling plant are the main beneficiaries which includes ASTL, MUGHAL, ITTEFAQ and DSL. On the other hand, old cases pertaining to alleged cartelization and price fixing by cement manufacturers (fines worth PKR6.5bn) have been resumed by CCP, adding further uncertainty to the sector. With regards to the fertilizer industry, government has so far settled only PKR2bn of subsidy claims out of PKR20bn pending since last year.

On macro front, foreign exchange reserves of SBP declined by USD216mn to USD13.9bn on account of external debt servicing. In this regard, government has massively borrowed USD1.5bn from external sources during 1QFY18 to sustain its depleting foreign exchange reserves. Moreover, government is awaiting an approval from the finance minister to finalize six banks to launch sukuk and Eurobond next month in order to generate additional USD2bn-3bn.

Outlook

Deteriorating economic indicators may continue to put pressure on market performance. However, valuations have become attractive after market underwent massive correction over last few months. We flag E&P's, Steels and Fertilizer sectors as likely outperformers.

News This Week

Economic highlights & Data points

Foreign reserves drop by USD216mn | (Nation): The total liquid foreign reserves held by the country stood at USD19.9bn on October 20, 2017. The weekly break-up of the foreign reserves position showed that foreign reserves held by the State Bank of Pakistan (SBP) stood at USD13.9bn, net foreign reserves held by commercial banks are USD5.96bn.

Sukuk, Eurobond issuance awaits finance minister's green signal | (The News): A lack of decision could delay the issuance of much-needed sukuk and Eurobond, planned simultaneously in November, as authorities await the final green light from Finance Minister Ishaq Dar. They have to finalise six banks to simultaneously launch sukuk and Eurobond next month in order to generate much-needed USD2bn to USD3bn.

Large-scale manufacturing expands by 8.5% | (Dawn): Large-scale manufacturing (LSM) recorded a growth of 8.5%YoY in the second month of 2017-18. In July-August, LSM posted a growth of 11.3% on an annual basis. The LSM target for 2017-18 is 6.3%. It grew 5.6% in 2016-17.

Govt borrowed massive USD1.5bn in three months | (Nation): Pakistan has massively borrowed USD1.5bn from external sources only in three months (July-September) to sustain its depleting foreign exchange reserves. Finance Minister Ishaq Dar had recently informed the media that debt to GDP ratio has currently gone to 61.6% from 60.2% of the year 2013.

1Q current account deficit soars to USD3.6bn YoY | (BR): The country's current account deficit rose to USD3.6bn in first quarter of current fiscal year FY18 (July-September 2017) as compared to USD1.6bn recorded in the corresponding period in FY17. According to data issued by the State Bank of Pakistan, current account deficit during this period stood at 4.2% of GDP as compared to 2.2% in the same period last year.

Sector and Corporate highlights

World Bank to give USD425mn for power sector | (Dawn): The government has decided to modernize the national power transmission to provide an immediate relief to the overall national transmission and dispatch system. The estimated total financing requirement of the project is USD549.3mn, whereas the World Bank will provide financing of USD425mn, while the remaining amount of USD124mn will be covered by National Transmission and Dispatch Company (NTDC), which will implement the project.

CCP imposes PKR6.5bn penalty to discourage cartelization in industrial sector | (BR): Minister for Law and Justice Zahid Hamid Monday apprised the Senate that the Competitive Commission of Pakistan (CCP) was fully cognizant of cartelization in the industrial sector and imposed penalties worth PKR6.5bn on cement and PKR140mn on automobile sectors to discourage cartelization.

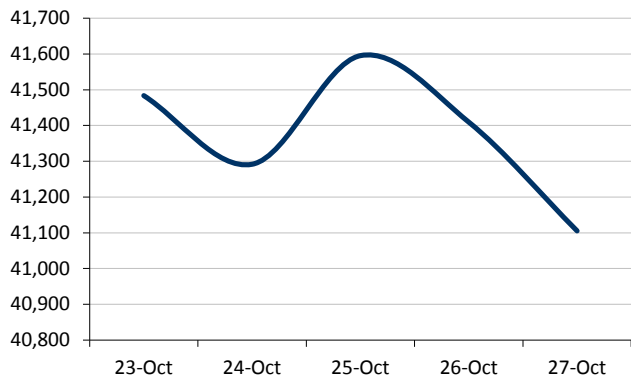
NTC slaps 19.15% anti-dumping duty on Chinese steel imports | (The News): National Tariff Commission (NTC) on Monday slapped a 19.15% anti-dumping duty for five years on Chinese steel imports after an investigation found that re-bar was imported from China at "dumped prices". Domestic industry producing re-bars suffered material injury on account of volume of dumped imports, price undercutting, decline in market share and productivity, and magnitude of dumping margin.

Nepra approves refund of PKR2.19 per unit for September | (BR): Nepra has approved refund of PKR2.19 per unit for September 2017 for Discos' consumers to adjust for cheaper fuel prices in the international market. However, K-Electric and agricultural consumers and those domestic users who consume less than 300 units per month will not be eligible for this relief.

Govt clears PKR2bn of fertilizer subsidy claims | (The News): Government has so far settled PKR2bn of subsidy claims of fertilizer makers out of PKR20bn pending since last year. The official said the government pledged to expedite release of 80 % of pending claims by July and the remaining 20 % to be paid by October after third-party validation.

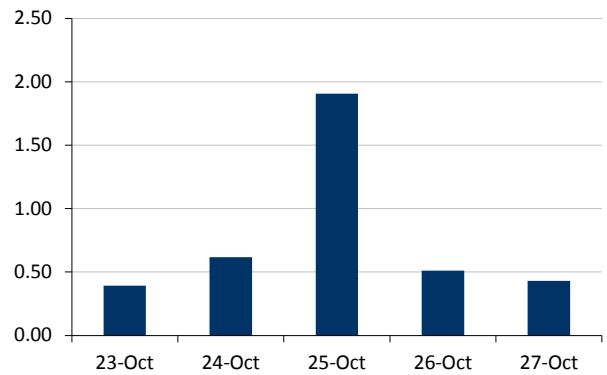
Stock Market – Last week in pictorals

Chart 1: KSE-100 Index



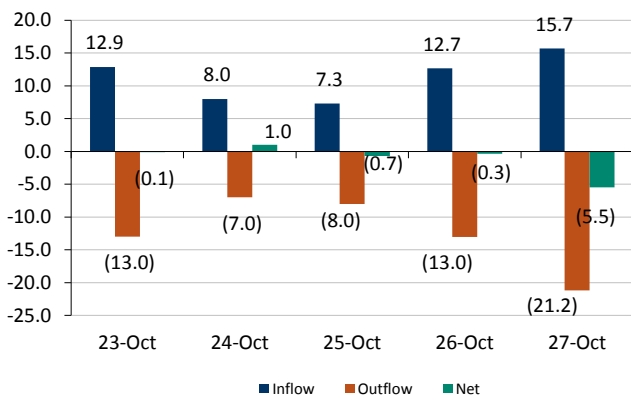
Source: PSX

Chart 2: KSE Advance/Decline Ratio



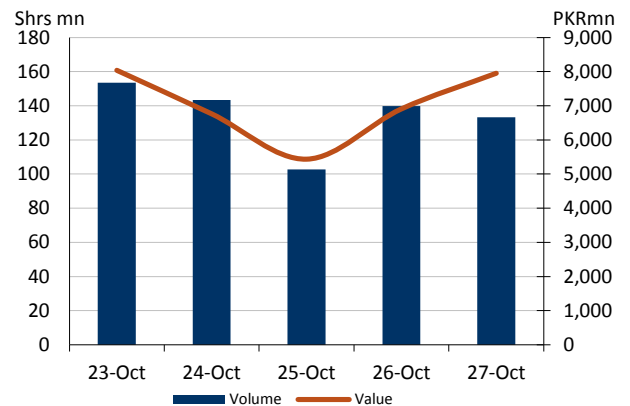
Source: PSX

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



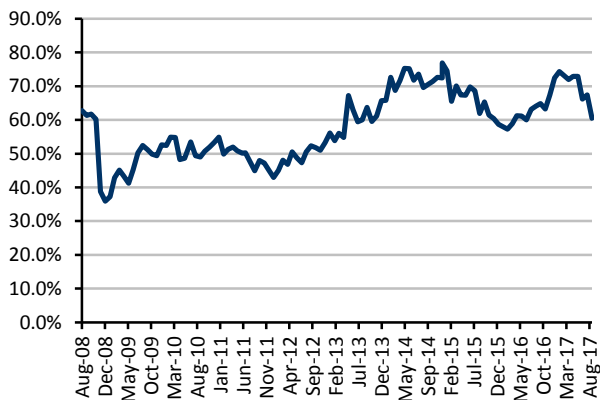
Source: NCCPL

Chart 4: KSE- Volumes & Values



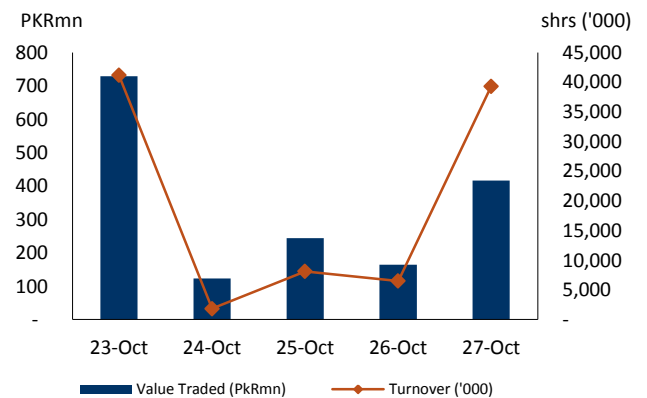
Source: PSX

Chart 5: Price to Money Ratio



Source: NCCPL

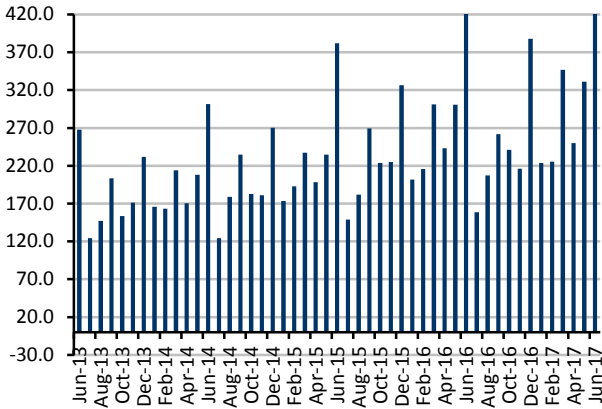
Chart 6: Off market activity



Source: PSX

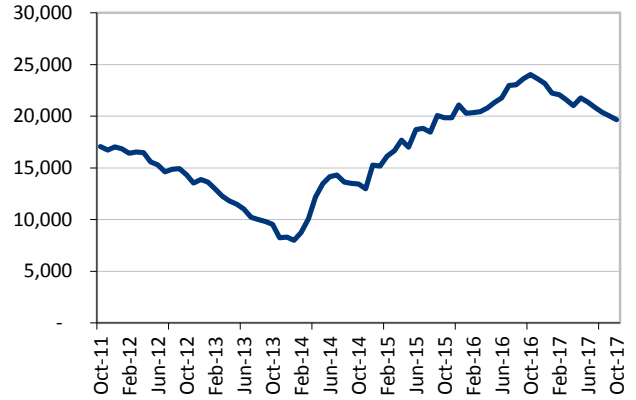
Economy Watch

Chart 7: Revenue Collection (PKRbn)



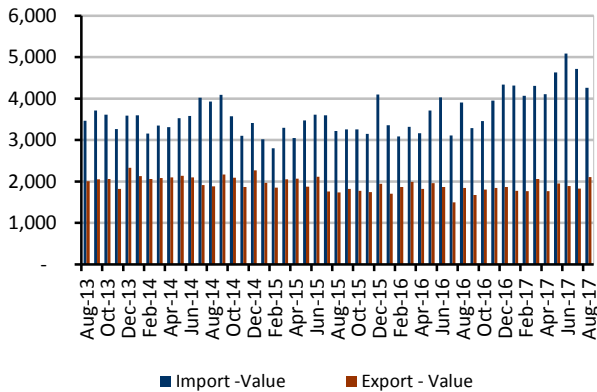
Source: SBP

Chart 8: Forex Reserves (US\$mn)



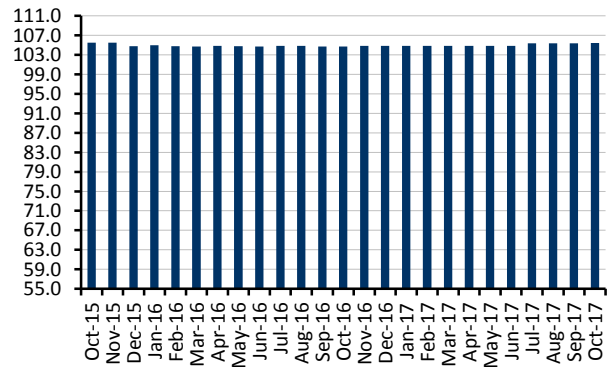
Source: SBP

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



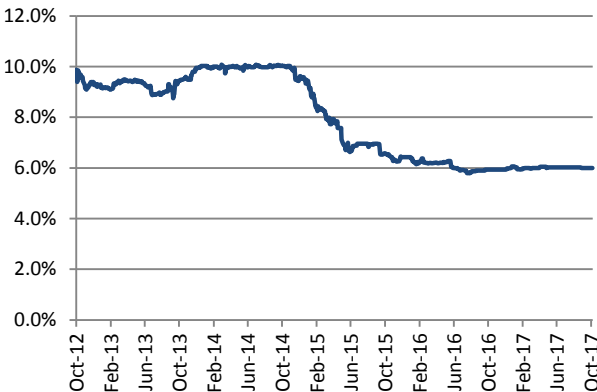
Source: SBP

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



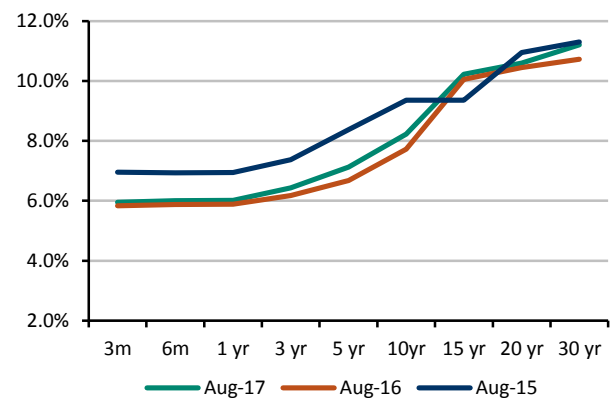
Source: SBP

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



Source: SBP

Chart 12: Yield Curve (%)

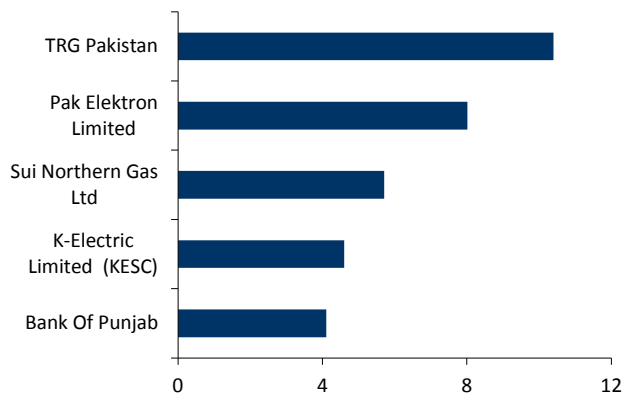


Source: SBP

Stock Market Synopsis

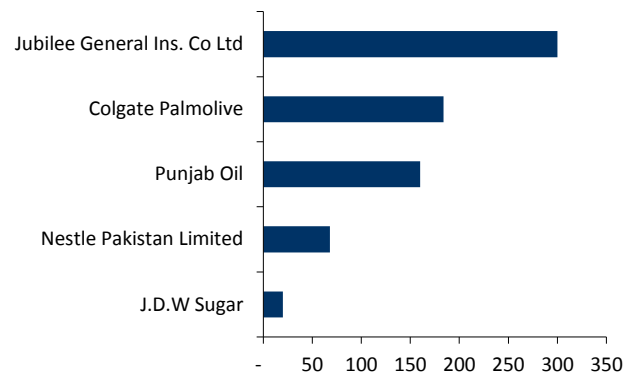
	Last week	This Week	%Change	1M	3M	12M
Mkt. Cap (US \$ bn)	81.8	80.4	-1.7%	83.6	89.8	77.5
Avg. Dly T/O (mn. shares)	184.6	134.5	-27.1%	151.5	174.8	286.9
Avg. Dly T/O (US\$ mn.)	88.0	66.6	-24.3%	68.9	84.9	132.1
No. of Trading Sessions	5.0	5.0	0.0	23.0	64.0	252.0
KSE 100 Index	42,087.9	41,105.4	-2.3%	42,290.2	45,905.8	39,987.3
KSE ALL Share Index	29,877.8	29,344.4	-1.8%	30,211.0	32,295.8	27,473.8

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



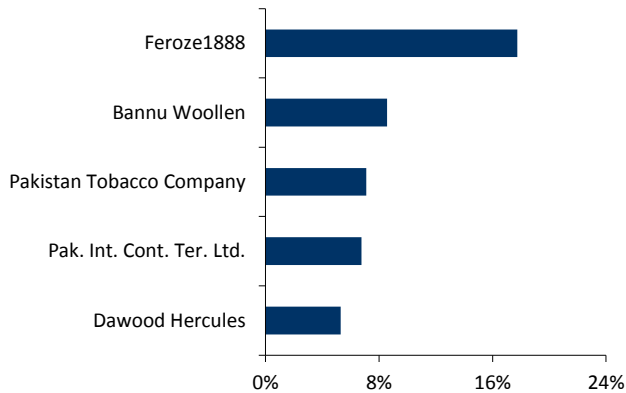
Source: PSX

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



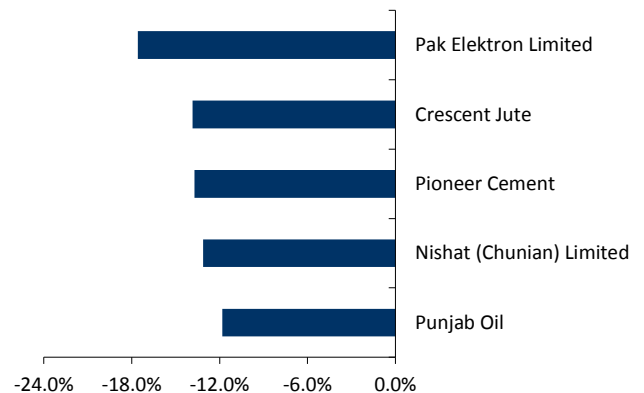
Source: PSX

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



Source: PSX

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



Source: PSX

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