

Market Performance

Jul-24: KSE-100 down by 558 points | -0.7% MoM

01-Aug-2024

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ASIAMONEY

Best Securities House: 2023
Best Investment Bank: 2023

FinanceAsia

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



Top 25 Companies
(2019, 2018 & 2017)



Excellence Award
Leading Brokerage House for RDA 2021



Best Money Market Broker
(Islamic) 2021

PSX Performance - Jul 2024

KSE-100 down by 558 points MoM

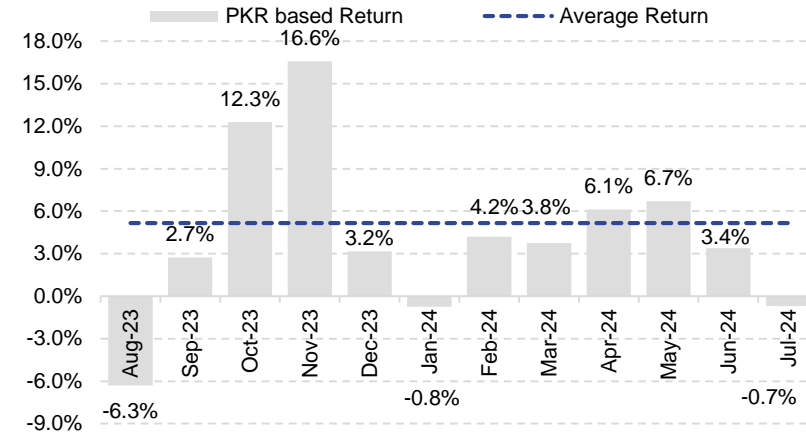
Profit taking drags the index down to 77,887 points

- The market witnessed a mixed sentiment during Jul'24.
- At the beginning of a new fiscal year, the market showcased bullish trend given Pakistan reached a staff-level agreement for a new 37-month Extended Fund Facility amounting USD 7bn with the IMF.
- As a result the index reached an all-time high of 81,839 points.
- The inflation during the Jun'24 stood at 12.6% compared to 29.4% in Jun'23.
- Moreover, the SBP announced a rate cut of 100bps, to 19.5% during Jul'24.
- The current account deficit narrowed by 79% to USD 0.7bn in FY24 (lowest in the last 13 years).
- In addition to this, the LSMI output witnessed a growth of 7% YoY in May'24. However, investors remained cautious amid political noise resulting in profit taking.
- The SBP's exchange reserves declined by USD 362mn MoM to USD 9.0bn.
- Furthermore, PKR depreciated against the USD by PKR 0.4 | -0.14% to arrive at 278.74.
- The market closed at 77,887 points, shedding 558points | -0.7% MoM.

Major News

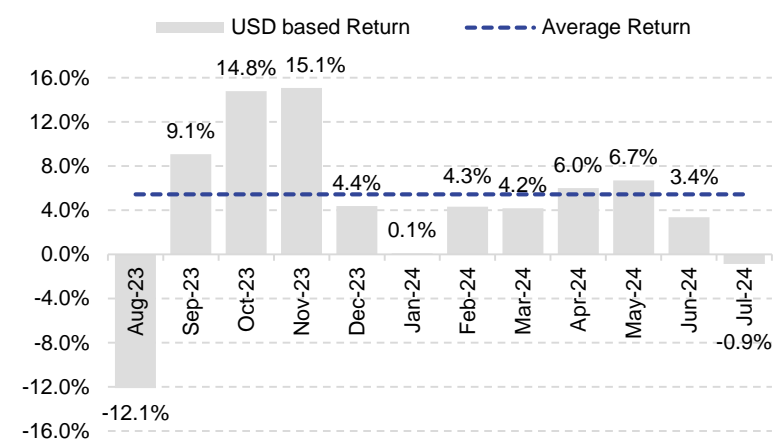
Petroleum product sales drop to 18-year low since FY06, Fertilizer sales fall 21% in June 2024, Cement dispatches decline by 12pc in June, Rice exports hit historic high of USD 3.88bn in FY24, Passenger car sales surge 138pc in June, down 16pc in FY24. SNGPL manages to push UFG losses down from 8.98% to 5.15% over the last four years, UBL to sell 55pc stake in UNBL UK to Bestway Group, Pakistan Oilfields made a significant hydrocarbon discovery in Jhandial-3, Sapphire signs pact to buy power firms, Engro Corp's business restructuring gains CCP approval, Govt plans to pull out of fuel pricing process, giving OMCs free hand, Power Generation down by 1.9% YoY during Jun'24, and FY24 cell phone imports up 233% to USD1.89bn YoY.

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 - Jul 2024

Economic developments

- Pakistan posted a current account deficit of USD 681mn in FY24 compared to a deficit of USD 3.3bn in FY23. This marks the lowest deficit in last 13 years. The decline in FY24 is driven by reduction in trade deficit and increase in remittances. Total exports in FY24 stood at USD 38.9bn, marking a substantial 10% YoY growth. On the other hand, total imports amounted to USD 63.3bn, up by 3% YoY. In Jun'24, Pakistan posted a current account deficit of USD 329mn compared to a deficit of USD 248mn during May'24. Total exports in Jun'24 recorded at USD 3.1bn, marking a 17% decrease from USD 3.7bn in May'24. Additionally, compared to Jun'23, there was a 14% increase in exports. Moreover, total imports for Jun'24 reached USD 5.7bn, reflecting a 4% decline from the May'24 figure of USD 5.9bn. When compared to Jun'23, imports showed a 45% increase.
- Remittances from overseas Pakistanis witnessed a decline of 3% MoM, reaching USD 3.16bn in Jun'24 compared to USD 3.24bn in May'24. On a YoY basis, remittances increased by 44% (Jun'23: USD 2.2bn). In FY24, remittances experienced a increase of 11% YoY, amounting to USD 30.3bn, as compared to USD 27.3bn in the FY23. In Jun'24, remittance inflows from Saudi Arabia amounted to USD 809mn, showing a 57% YoY increase and while, a 1% MoM decrease. Remittances from the UAE stood at USD 654mn in Jun'24, depicting a 101% YoY and 2% MoM decline. The UK contributed USD 487mn in remittances during Jun'24, experiencing a 42% YoY and 3% MoM increase. Remittances from the EU countries totalled USD 322mn in Jun'24. Net foreign direct investment (inflow) settled at USD 169mn in Jun'24, compared USD 122mn during Jun'23. During FY24, net FDI inflow was up by 17% YoY to USD 1.9bn compared to an inflow of USD 1.6bn in FY23. During FY24, China emerged as the leading contributor to net FDI, recording a net FDI of USD 568mn. In terms of sectors, the power sector attracted the most significant investment during FY24, totalling USD 800mn.
- In May'24, the Pakistan Bureau of Statistics reported a 7.3% YoY increase (23-month high) in the production levels of Large Scale Manufacturing Industries (LSMI) compared to corresponding period last year. The LSMI Index increased to 113.9 in May'24, up by 7.3% from 106.1 in May'23.

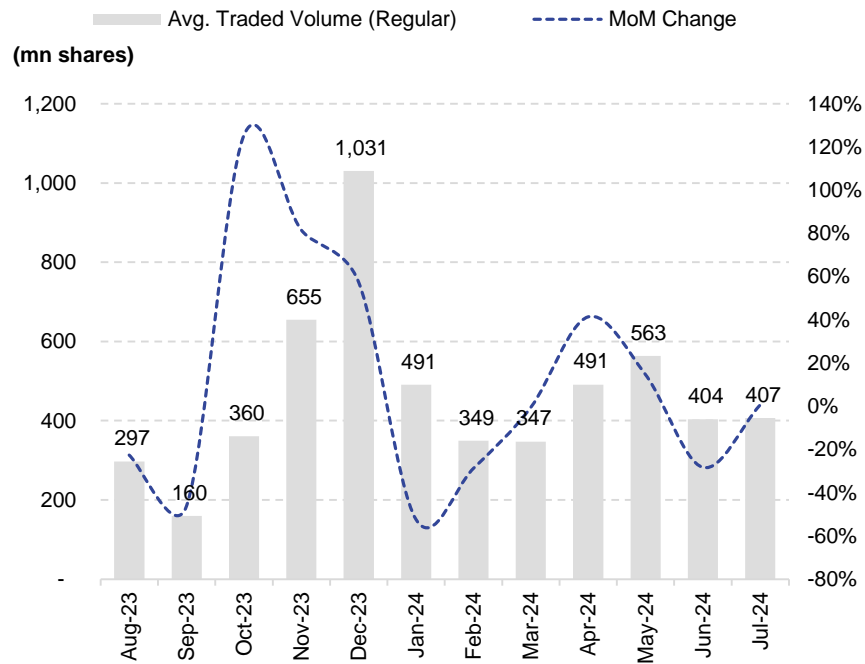
PSX Performance - Jul 2024

Historical volume and value

Slight increase in activity was witnessed during Jul'24

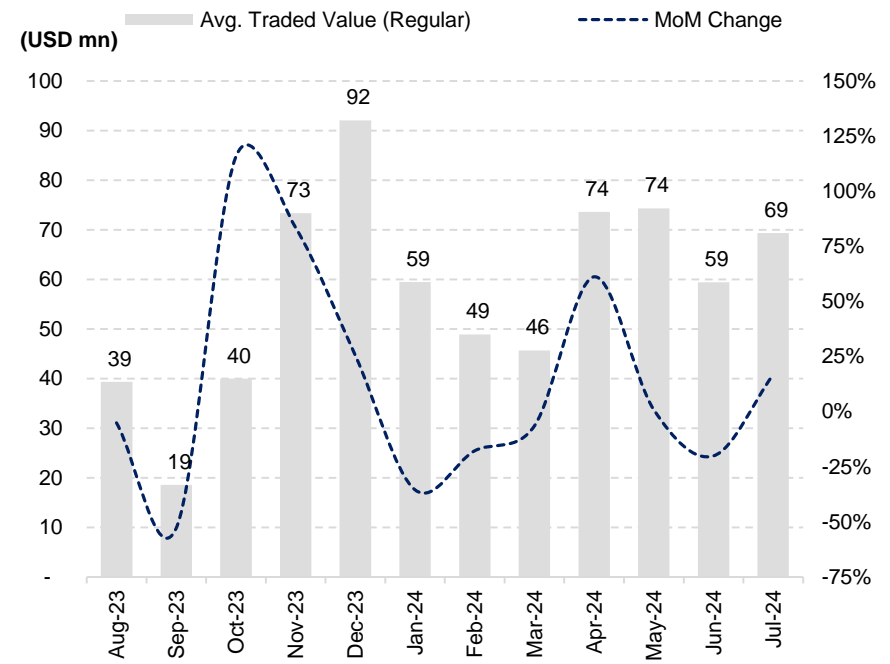
- During Jul'24, the average trading volume witnessed a meagre uptick of 0.74% to 407mn shares, while the average trading value increased by 17% to USD 69mn.

Figure: PSX historic average traded volume



Source (s): PSX, AHL Research

Figure: PSX historic average traded value



Source (s): PSX, AHL Research

PSX Performance - Jul 2024

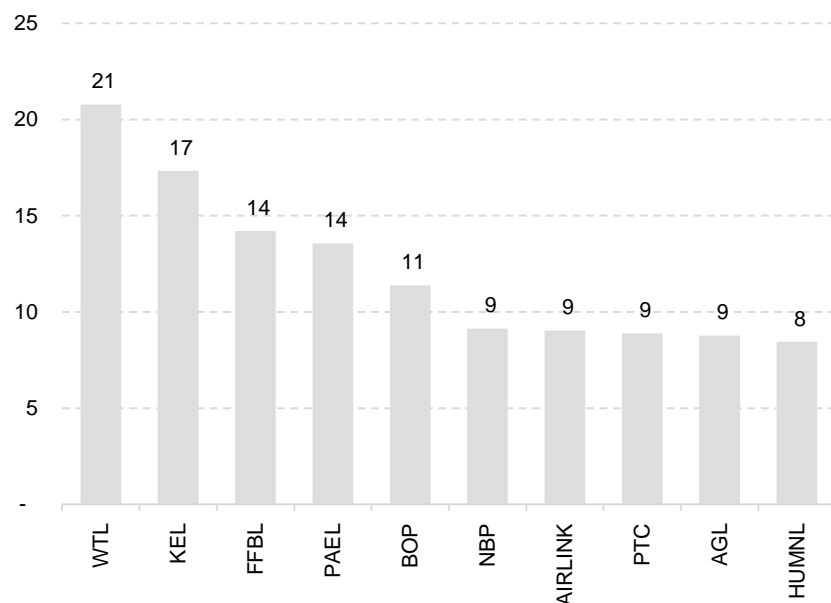
Company & sector wise volume leaders

Volume leaders during Jul-24

- Sectors that garnered the most activity during the month were Technology, Banks, Inv. Banks, Power, and Cement reporting average volumes of 66mn, 53mn, 29mn, 28mn and 25mn, respectively.
- Whereas on a scrip-wise basis, volumes were led by WTL (21mn), KEL (17mn), FFBL (14mn), PAEL (14mn) and BOP (11mn).

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

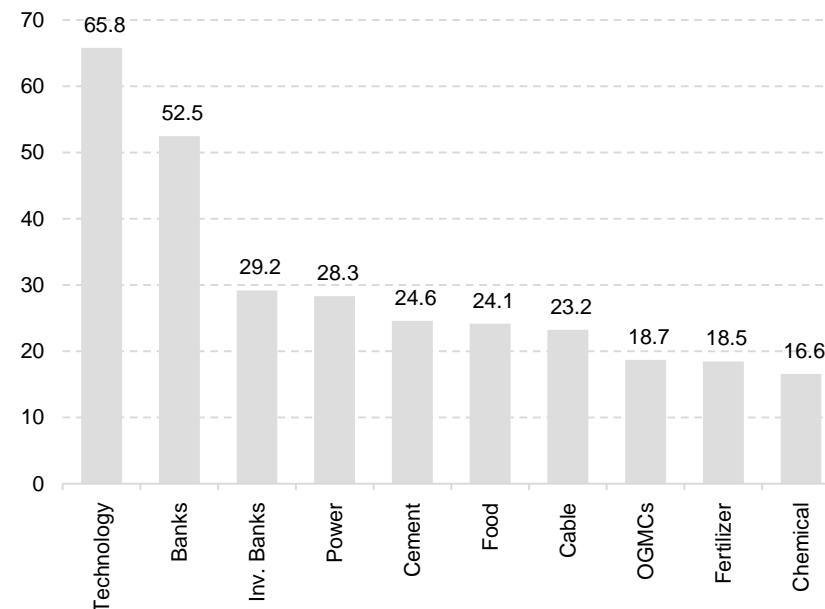
(mn shares)



Source (s): PSX, AHL Research

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

(mn shares)



Source (s): PSX, AHL Research

PSX Performance - Jul 2024

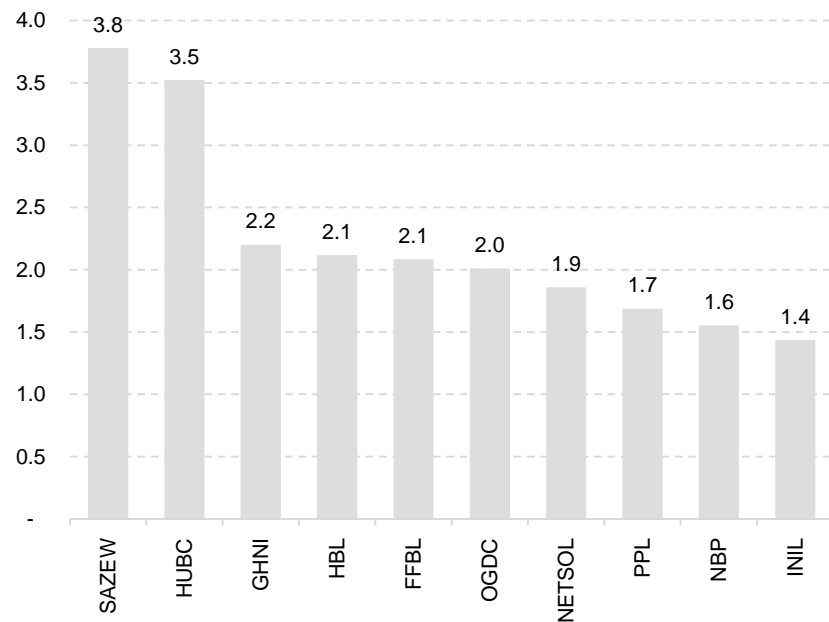
Company & sector wise value leaders

Value leaders during Jul-24

- On a sector-wise basis, the most activity during the period was witnessed in Auto Assemblers, Technology, Banks, E&P, and Fertilizer posting a trade value of USD 12.1mn, USD 10.4mn, USD 8.6mn, USD 4.7mn, and USD 4.4mn, respectively.
- Meanwhile, on a scrip-wise basis, the highest trading values were dominated by SAZEW (USD 3.8mn), followed by HUBC (USD 3.5mn), GHNI (USD 2.2mn), HBL (USD 2.1mn), FFBL (USD 2.1mn), OGDC (USD 2.0mn), NETSOL (USD 1.9mn), PPL (USD 1.7mn), NBP (USD 1.6mn), and INIL (USD 1.4mn).

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

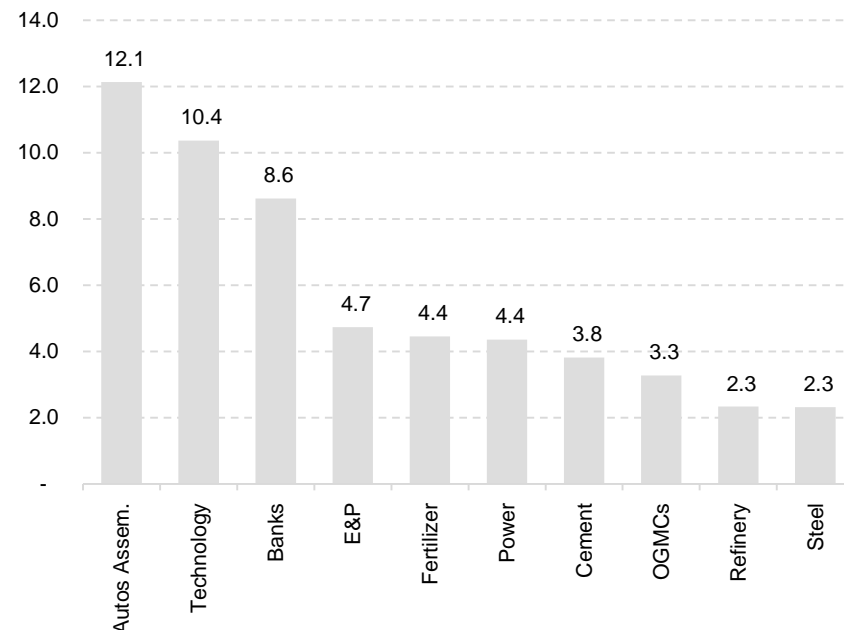
(USD mn)



Source (s): PSX, AHL Research

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

(USD mn)



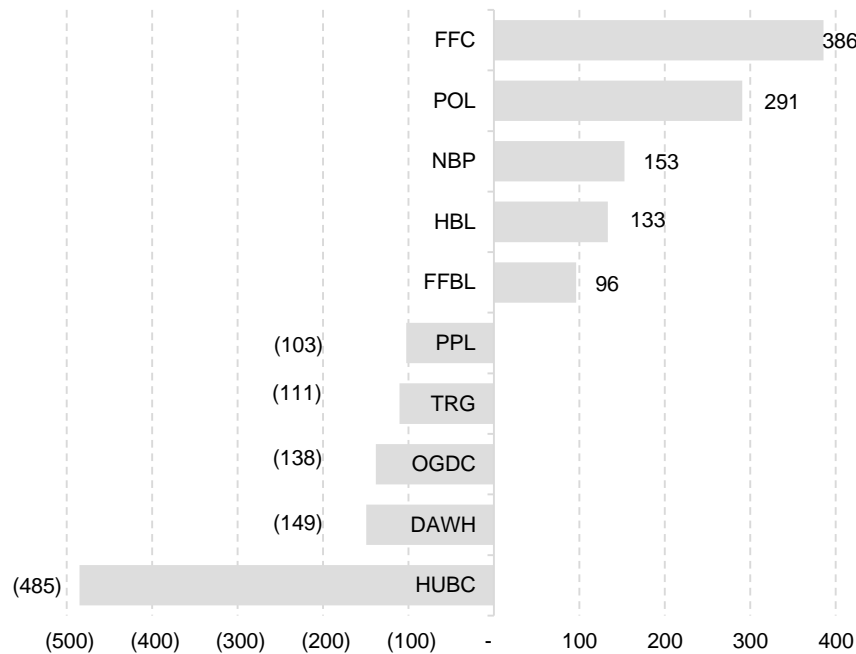
Source (s): PSX, AHL Research

PSX Performance - Jul 2024

Index contribution

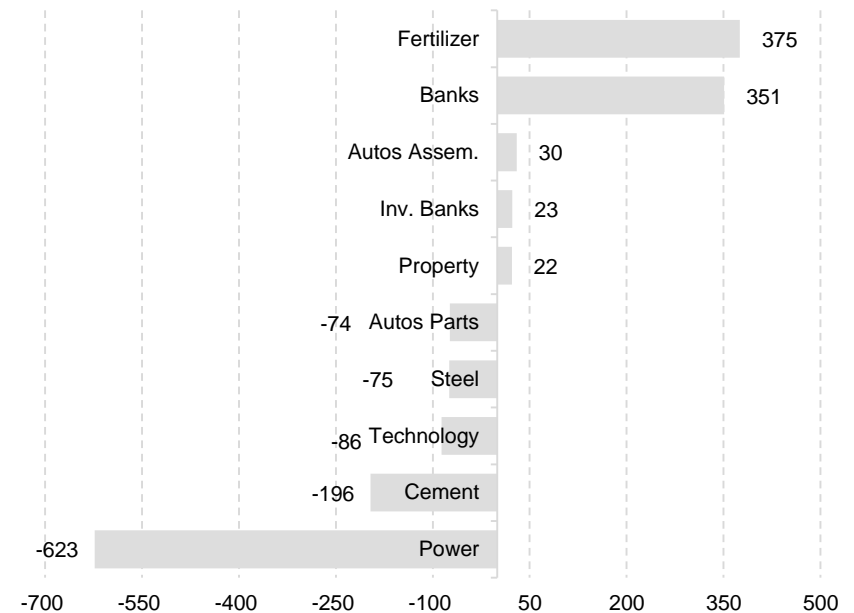
- Sectors contributing negatively to the index during Jul'24 include Power (-623pts), Cement (-196pts), Technology (-86pts), Steel (-75pts), and Auto Parts (-74pts). Whereas, the sectors contributing positively comprised of Fertilizer (375pts) followed by Banks (351pts), and Auto Assemblers (30pts).
- Scrip wise negative contributors during the month were HUBC (-485pts), DAWH (-149pts), OGDC (-138pts) and TRG (-111pts). Scrip-wise positive contributors were FFC (386pts), POL (291pts), NBP (153pts), HBL (133pts), and FFBL (96pts).

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



Source (s): PSX, AHL Research

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



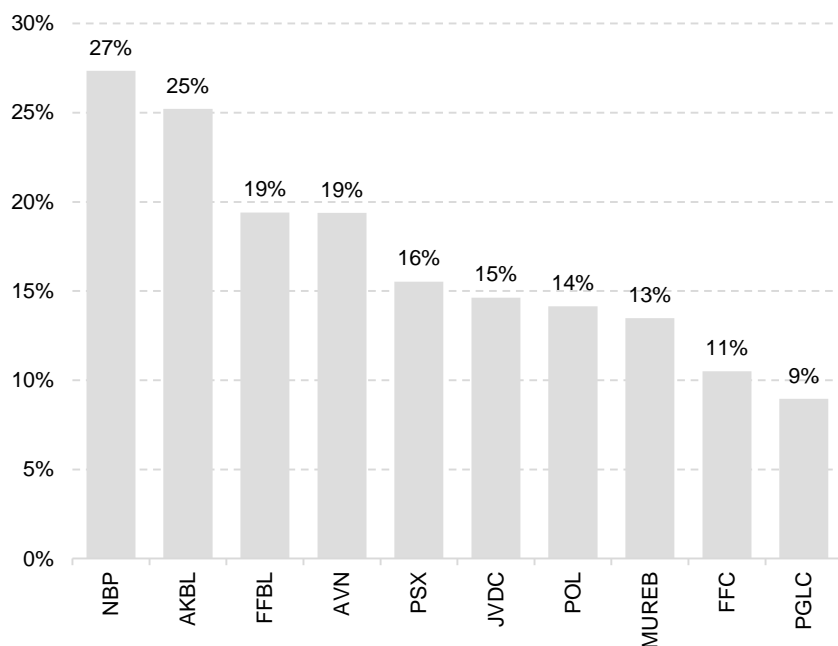
Source (s): PSX, AHL Research

PSX Performance - Jul 2024

Major gainers and losers

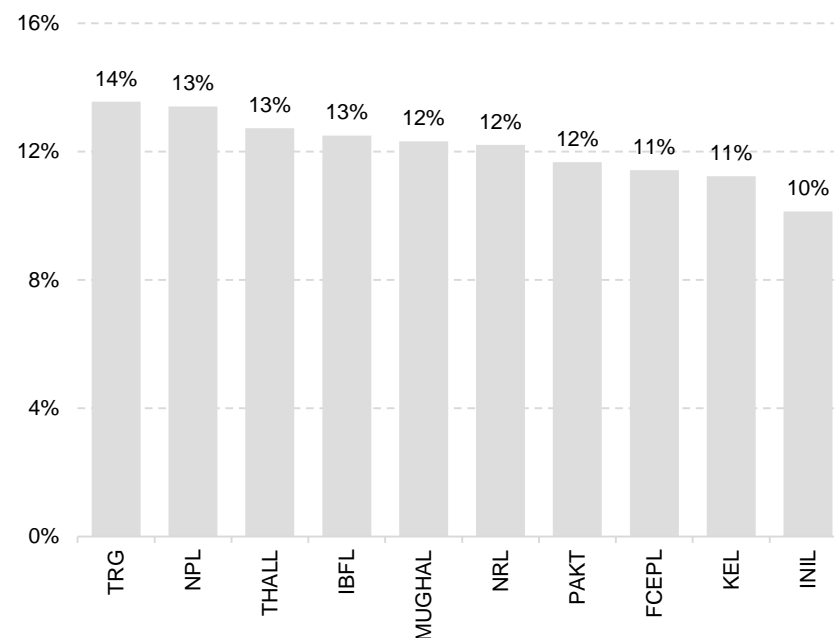
- Scrip-wise negative performance returns during Jul'24 were witnessed in TRG, NPL, THALL, IBFL and MUGHAL posting returns of 14%, 13%, 13%, 13%, and 12%, respectively. Meanwhile, positive return during the month came from NBP, AKBL, FFBL, AVN, and PSX, each posting returns of 27%, 25%, 19%, 19%, and 16%, respectively.

Figure: Scrip wise major gainers (KSE100)



Source (s): PSX, AHL Research

Figure: Scrip wise major losers (KSE100)



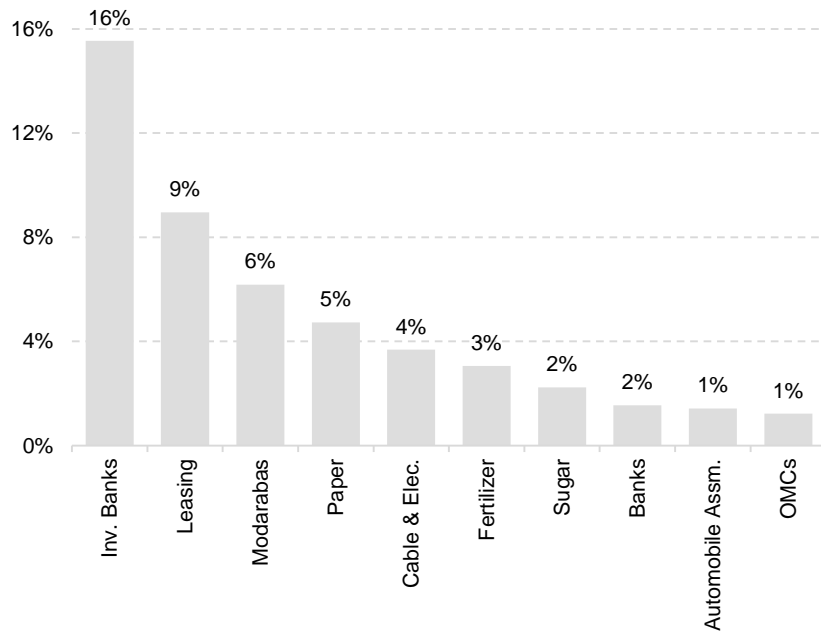
Source (s): PSX, AHL Research

PSX Performance - Jul 2024

Sector-wise major gainers and losers

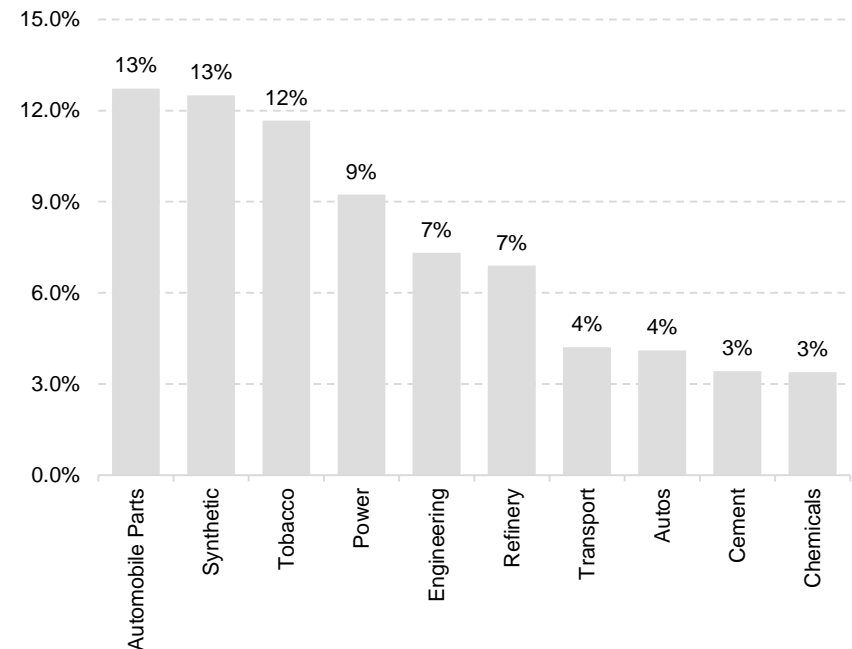
- In terms of sectors, major losers were Auto Parts (13%), Synthetic (13%), Tobacco (12%), Power (9%), and Engineering (7%) during Jul'24. Whereas, major gainers were Inv. Banks (16%), Leasing (9%), Modarabas (6%), Paper (5%), and Cable & Electrical Goods (4%).

Figure: Sector wise major gainers (KSE100)



Source (s): PSX, AHL Research

Figure: Sector wise major losers (KSE100)



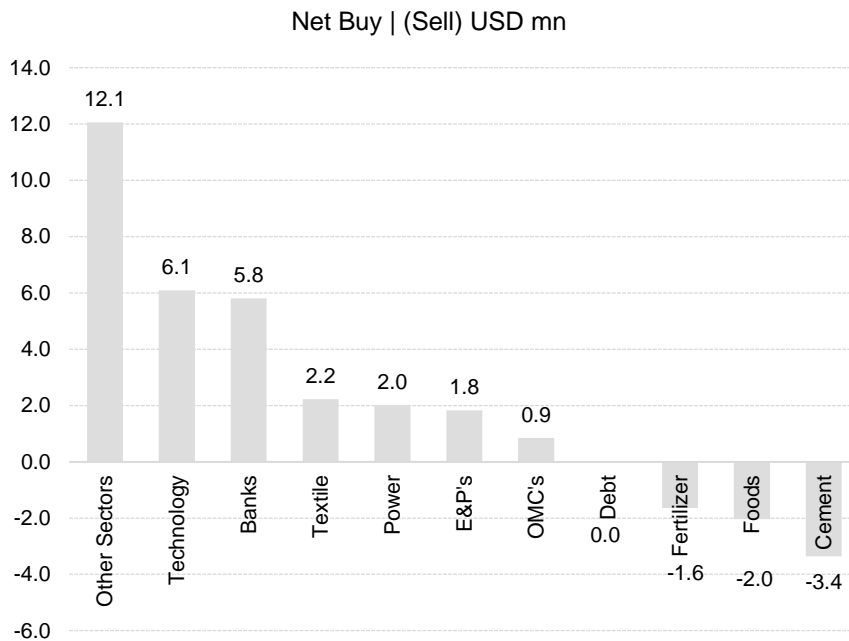
Source (s): PSX, AHL Research

PSX Performance - Jul 2024

Regional portfolio investment and FIPI/LIPI

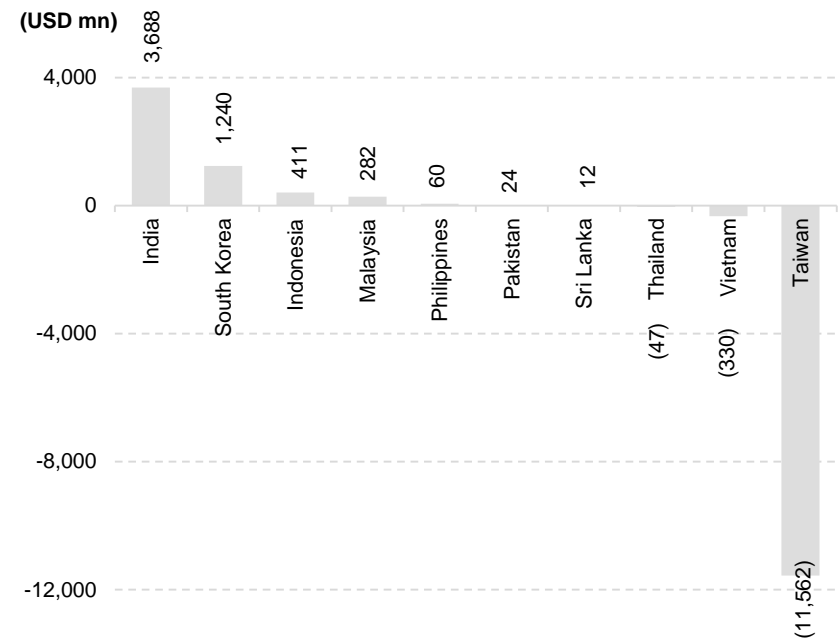
- Foreign selling was witnessed in the Asia-Pacific region during Jul'24, which was led by Taiwan (USD 11.6bn) given uncertainty related to chip market expansion, followed by Vietnam (USD 0.3bn). Whereas foreign buying was observed in India (USD 3.7bn) given expectation of policy reforms followed by South Korea (USD 1.2bn) .
- On the domestic stock exchange, foreign buying activity of USD 23.8mn was reported for the month of Jul'24. The inflows were predominantly in Other Sectors (USD 12.1mn), Technology (USD 6.1mn), Banks (USD 5.8mn), Textile (USD 2.2mn), and Power (USD 2.0mn). Whereas, net selling was observed in Cement (-USD 3.4mn), Foods (-USD 2.0mn), and Fertilizer (-USD 1.6mn).

Figure: Sector wise FIPI Jul-24



Source (s): NCCPL, AHL Research

Figure: Regional Portfolio investment during Jul-24



Source (s): NCCPL, Bloomberg, AHL Research

PSX Performance - Jul 2024

Portfolio investment (FIPI/LIPI)

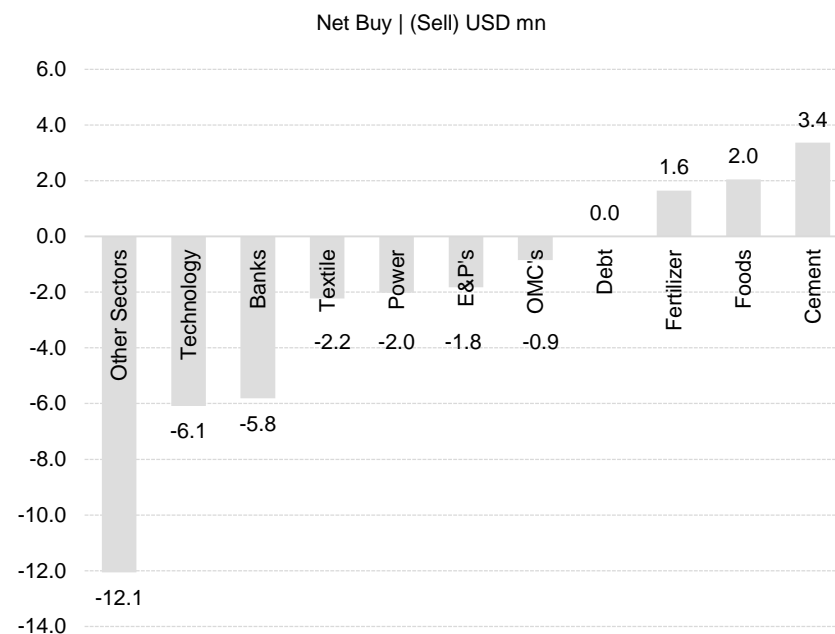
- On the local front, selling was reported by Mutual Funds (-USD 15.1mn), Companies (-USD 8.8mn), Brokers (-USD 4.9mn), Other Organization (-USD 3.8mn) and Insurance (-USD 1.3mn). Meanwhile, buying was witnessed by Banks/DFIs (USD 5.2mn) and Individuals (USD 4.8mn) during Jul'24.

Figure: Local Investors Portfolio Investment (Jul-24)



Source (s): NCCPL, AHL Research

Figure: Sector wise LIPI (Jul-24)



Source (s): NCCPL, AHL Research

PSX Performance - Jul 2024

Outlook & Recommendation

In the upcoming month, IMF Executive Board's approval and the disbursement of the first tranche of the new EFF will be the key highlight, which will bring in more foreign inflows. Furthermore, the ongoing result season (4QFY24/2QCY24) is expected to garner investor's interest, which will keep certain scrips in the limelight.

We expect headline inflation to clock in at 10.5% in Jul'24, representing a significant decline from the 12.6% YoY inflation rate reported in Jun'24. While headline inflation shows a significant YoY decline, monthly pressures remain due to higher food prices and the impact of budgetary measures. On the other hand, geopolitical instability in the Middle East could drive oil prices higher, posing a risk to the short-term inflation outlook.

The KSE-100 is currently trading at a PER of 4.1x (2025) as compared to its 5-year average of 5.9x while also offering a dividend yield of ~10.1% as compared to its 5-year average of ~8.1%. Our preferred stocks are OGDC, PPL, MCB, UBL, MEBL, LUCK, FCCL, DGKC, MLCF, FFC, PSO, HUBC, ILP, NML and, INDU.

PSX Performance - Jul 2024

World Indices Performance

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

Sr#	Index	Country	Index	Return (%)	Sr#	Index	Country	Index	Return (%)
1	GGSECI Index	Ghana	4,496	15.3	37	TUSISE Index	Tunisia	9,801	2.0
2	MSETOP Index	Mongolia	50,384	13.9	38	IBEX Index	Spain	11,065	2.0
3	BLOM Index	Lebanon	1,812	12.4	39	AS51 Index	Australia	8,092	2.0
4	BEL20 Index	Belgium	4,130	7.2	40	DSM Index	Qatar	10,154	1.9
5	CRO Index	Croatia	2,988	6.5	41	LUXXX Index	Luxembourg	1,384	1.9
6	ASE Index	Greece	1,478	6.2	42	ICEXI Index	Iceland	2,018	1.8
7	DFMGI Index	Dubai	4,268	5.9	43	CAC Index	France	7,531	1.6
8	NKY Index	Japan	39,102	5.5	44	IBOV Index	Brazil	127,652	1.6
9	FSSTI Index	Singapore	3,456	5.1	45	VNINDEX Index	Vietnam	1,252	1.3
10	SBITOP Index	Slovenia	1,643	5.0	46	HEX Index	Finland	9,983	1.3
11	FBMKLCI Index	Malaysia	1,626	5.0	47	KZKAK Index	Kazakhstan	5,234	1.2
12	SET Index	Thailand	1,321	4.9	48	SPX Index	USA	5,522	1.1
13	SMI Index	Switzerland	12,317	4.8	49	TALSE Index	Estonia	1,744	0.8
14	ISEQ Index	Ireland	9,674	4.7	50	IPSA Index	Chile	6,441	0.6
15	BELEX15 Index	Serbia	1,023	4.7	51	AEX Index	Netherlands	921	0.5
16	EGX30 Index	Egypt	29,379	4.6	52	OMX Index	Sweden	2,609	0.5
17	SPTSX Index	Canada	23,111	4.6	53	SX5E Index	Europe	4,873	0.4
18	PSI20 Index	Portugal	6,708	4.4	54	OBXP Index	Norway	629	0.3
19	INDU Index	USA	40,843	4.4	55	RTSI\$ Index	Russia	1,152	-
20	SEMDEX Index	Mauritius	2,113	4.2	57	MEXBOL Index	Mexico	53,094	(0.4)
21	UKX Index	UK	8,368	4.1	58	KOSPI Index	South Korea	2,771	(0.4)
22	JALSH Index	South Africa	82,765	4.0	59	MSM30 Index	Oman	4,662	(0.6)
23	BUX Index	Hungary	74,051	3.8	60	KSE100 Index	Pakistan	77,887	(0.9)
24	PX Index	Czech Republic	1,611	3.6	61	XU100 Index	Turkey	10,639	(1.2)
25	ATX Index	Austria	3,701	3.4	62	PFTS Index	Ukraine	507	(1.3)
26	PCOMP Index	Philippines	6,619	3.4	63	DSEX Index	Bangladesh	5,280	(1.4)
27	NZSE Index	New Zealand	1,837	3.3	64	NDX Index	USA	19,362	(1.6)
28	SASEIDX Index	Saudi Arabia	12,110	3.2	65	HSI Index	Hong Kong	17,345	(2.2)
29	SOFIX Index	Bulgaria	867	3.2	66	BHSEASI Index	Bahrain	1,970	(3.0)
30	JCI Index	Indonesia	7,256	3.2	67	NSEASI Index	Kenya	106	(3.3)
31	ADSMI Index	UAE	9,339	3.1	68	KFX Index	Denmark	2,752	(3.9)
32	BET Index	Romania	18,630	3.0	69	WIG20 Index	Poland	2,421	(4.1)
33	SENSEX Index	India	81,741	3.0	70	TWSE Index	Taiwan	22,199	(4.8)
34	FTSEMIB Index	Italy	33,764	2.7	71	CSEALL Index	Sri Lanka	11,407	(5.0)
35	VILSE Index	Lithuania	994	2.6	72	MERVAL Index	Argentina	1,507,785	(8.5)
36	DAX Index	Germany	18,509	2.4	73	NGSEINDX Index	Nigeria	97,774	(10.7)

Source (s): Bloomberg, AHL Research

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Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Jun 2025 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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Arif Habib Limited (AHL) has a shareholding in BOP and FCCL.