

Day Break

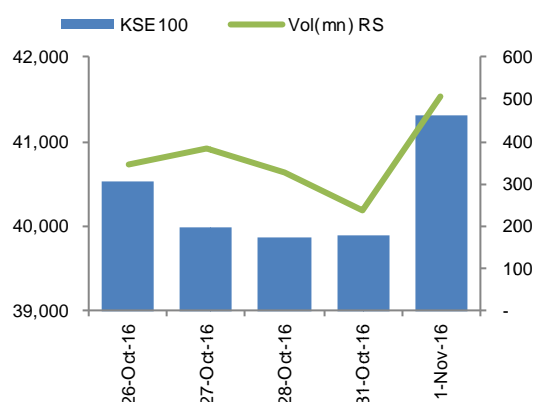
Wednesday, 02 November 2016

Strategy

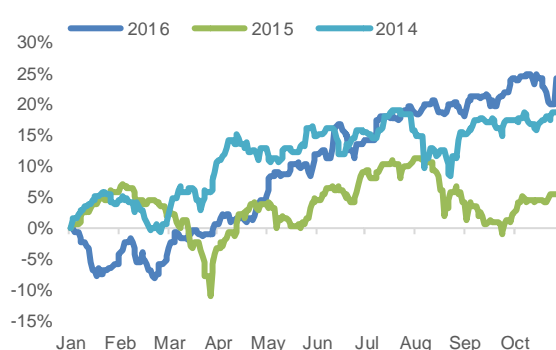
KSE100 Historic Index levels

	Level	Chg. (pts)	Chg. %
1-Nov-16	41,300	1,406	3.5%
31-Mar-15	30,234	1,307	4.5%
15-Jun-16	38,560	1,042	2.8%
24-Jun-08	12,123	961	8.6%
29-Aug-14	28,568	793	2.9%

KSE 100 5 Day movement and average Volumes



KSE100 Yearly Returns



Source: PSX, Bloomberg & IGI Research

Analyst

IGI Research

rsearch@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 810

Market Strategy

Market Recovers to Post Record Single-Day Gain; Post Formation of Judicial Commission

- Pakistan Stock Exchange (PSX) benchmark index (KSE 100) gained nearly 1,406 points or ~3.5% in a single-day (a record high) as political tension eases.
- For the month of Oct-16, the benchmark KSE100 index shaved off nearly ~650 points (down by 2.1%MoM), as political tension garnered investors' attention. Positive momentum earlier gathered in cements, autos, telecoms and E&Ps was reversed during the month.
- Blue chip companies responded well, with banks leading the chart.
- With MSCI emerging status timeline closing up, we expect blue chip stocks (in particularly those included in Pakistan MSCI EM index) to remain in limelight.

Pakistan Stock Exchange (PSX) benchmark index (KSE 100) gained nearly 1,406 points or ~3.5% in a single-day (a record high) as political tension eases, post formation of judicial commission to review the Panama Papers leaks.

Oct-16: Market Performance marred by Political Noise...

For the month of Oct-16, the benchmark KSE100 index shaved off nearly ~650 points (down by 2.1%MoM), as political tension garnered investors' attention. Positive momentum earlier gathered in cements, autos, telecoms and E&Ps was reversed during the month. Trading volumes slowdown showing a decline of 20%MoM to average 449mn shares compared to record high level of 590mn witnessed in Sep-16, but remain above monthly average. Nevertheless, despite a weaker monthly performance CY16 to date returns still stand tall at +20.1% compared to MSCI FM index (down by 2.0%) and Asia region (average return +9.7%).

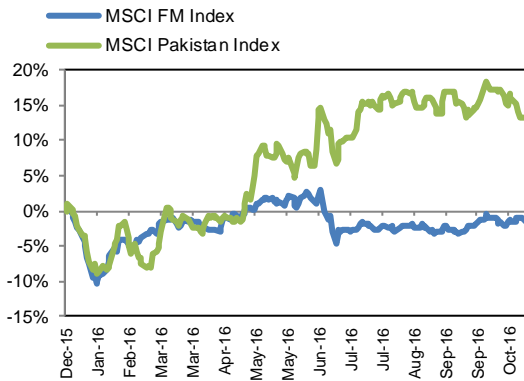
...formation of judicial commission; lifts market sentiments

However, post formation of judicial commission by Supreme Court (apex) to review the Panama Papers leaks as per submitted Terms of Reference (ToRs) the opposition party Tehreek-e-Insaf (PTI) finally called-off its sit-in, subsequently easing up political climate, which led to benchmark index gaining nearly 1,406 points or ~3.5% in a single-day (a record high) to close the day at 41,299 levels.

Blue-chip stocks rebounded with banks leading the index gains

Following PTI decision combined with positive macro-economic news, blue chip companies responded well, with banks leading the chart up by +4%, telecom (+6%), E&Ps (+3%) and cement (+5%). Company-wise, PTC, PPL, PAKT, HBL and LUCK all turned out to be star performers, trading near their upper circuit limit. Overall trading activity also increased to average 507mn.

MSCI FM versus MSCI Pakistan Performance



Regional Equity Markets

Exchange	P/E	P/B	DY
KSE100	9.12	1.80	5.6
SHANGHAI SE	14.69	1.74	1.9
HangSeng	12.66	1.18	3.5
PSEI	18.73	2.44	1.7
Taiwan Taiex	14.91	1.66	3.8
Vietnam Index	16.22	1.95	2.5
BSE Sensex 30	18.60	2.79	1.6

Outlook

With MSCI emerging status timeline closing up, we expect blue chip stocks (in particularly those included in Pakistan MSCI EM index) to remain in limelight. Net foreign buying of 16.4mn during last week depicts interest of investors. Keeping intact our positive outlook, we remain bullish on the market. Preference for dividend yielding stocks could gather investors interest such as PTC, BAH, NBP and POL, while beneficiaries of infra/power growth under CPEC; Cements, Steel and Power would remain in spotlight. Government focus on export will garnish better outcome for textile sectors, although recent recovery in international commodity prices and rising inflation could pose a potential earning dampener.

Important Disclaimer and Disclosures

Research Analyst(s) Certification: The Research Analyst(s) hereby certify that the views about the company/companies and the security/securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

Disclaimer: The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

Rating system: IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

Recommendation	Rating System
Buy	If target price on aforementioned security(ies) is more than 10%, from its last closing price(s)
Hold	If target price on aforementioned security(ies) is in between -10% and 10%, from its last closing price(s)
Sell	If target price on aforementioned security(ies) is more than -10%, from its last closing price(s)

Risk: Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, credit risks, political and geopolitical risks. The performance of company(ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security(ies)/company(ies) in the report will be achieved.

Basic Definitions and Terminologies used: **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment. **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2016 IGI Finex Securities Limited

Contact Details

Research Team

Saad Khan	Deputy Head of Research	Tel: (+92-21) 111-234-234 Ext.: 810	saad.khan@igi.com.pk
Rashmina Lalani	Senior Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 826	rashmina.lalani@igi.com.pk
Abdullah Farhan	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 912	abdullah.farhan@igi.com.pk
Yawar Saeed	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 973	yawar.saeed@igi.com.pk
Anjali Kukreja	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 957	anjali.kukreja@igi.com.pk
Jawad Ameer Ali	Research Analyst	Tel: (+92-21) 111-234-234 Ext.: 816	jawad.ameer@igi.com.pk
Abdul Sajid	Database	Tel: (+92-21) 111-234-234 Ext.: 974	abdul.sajid@igi.com.pk
Umesh Solanki	Database Assistant	Tel: (+92-21) 111-234-234 Ext.: 966	umesh.solanki@igi.com.pk

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 35777863-70	zaeem.haider@igi.com.pk
Muhammad Naveed	Branch Manager (Islamabad)	Tel: (+92-51) 2604861-2	muhammad.naveed@igi.com.pk
Gul Hussain	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	gul.hussain@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-6	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mehtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbotabad)	Tel: (92-992) 408243-44	zeeshan.kayani@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited | Corporate member of Pakistan Mercantile Exchange Limited

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
 Khayaban-e-Jami Block-09, Clifton, Karachi-75600
 UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
 Fax: (+92-21) 35309169, 35301780
 Website: www.igisecurities.com.pk

Stock Exchange Office

Room # 719, 7th Floor, KSE Building, Stock Exchange Road, Karachi.
 Tel: (+92-21) 32429613-4, 32462651-2, Fax: (+92-21) 32429607

Lahore Office

5-F.C.C. Ground Floor, Syed Maratib Ali Road,
 Gulberg II, Lahore
 Tel: (+92-42) 35777863-70, 35876075-76
 Fax: (+92-42) 35763542

Faisalabad Office

Room #: 515-516, 5th Floor, State Life
 Building, 2- Liaqat Road, Faisalabad
 Tel: (+92-41) 2540843-45
 Fax: (+92-41) 2540815

Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,
 Block- B, Jinnah Avenue, Blue Area, Islamabad
 Tel: (+92-51) 2604861-2, 2604864, 2273439
 Fax: (+92-51) 2273861

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
 Model Town, Town Hall Road, Rahim Yar Khan
 Tel: (+92-68) 5871653-6, 5871652
 Fax: (+92-68) 5871651