

Flash Note

Tuesday, 14 November 2017

Pakistan Market

MSCI Nov-17 Review: Pakistan's EM index weight estimated to drop to 0.078%; PSMC, FERROZ and SHEL removed while EGNRO downgraded to small cap

- MSCI in a meeting held on 13th Nov-17 announced details of Semi-Annual Index Review for the MSCI Equity Indexes whereby MSCI Pakistan Emerging Market (EM) Index weight is estimated to drop to 0.078% from 0.140% reported at the time of inclusion in May-17.
- To recall, Pakistan Equity Market was included in MSCI EM Index during May-17 (effective from 1st Jun-17) with a total weightage of 0.14%. However, since Jun-17 Pakistan Equity Market has dropped by 18.1% to stand at 41,436 at the time of MSCI Semi-Annual Review in Nov-17, which has led to estimated drop in total weight to 0.08%.
- There has been one deletion whereby Engro Corporation (ENGRO) has been removed from MSCI Global Standard Indexes while no addition has been made to the aforementioned Index.
- ENGRO has been downgraded to MSCI Global Small Cap Indexes, whereas, Pak Suzuki Motors Limited (PSMC), Shell Pakistan Limited (SHEL) and Ferozs Laboratories (FERROZ) have been removed from the small cap index.
- Post exclusion of ENGRO, only 5 companies now remain part of MSCI EM Standard Index (Large & Mid Cap) which includes Oil & Gas Development Company Limited (OGDC), Habib Bank Limited (HBL), United Bank Limited (UBL), MCB Bank (MCB) and Lucky Cement (LUCK).
- As per our estimates, Pakistan's weight in MSCI EM Index is expected to drop to 0.078% after removal of ENGRO, whereas now OGDC carries highest weightage in the Index followed by HBL, MCB and UBL.
- To note, the exclusion of 3 small cap companies (FERROZ, PSMC and SHEL) has led to 30 companies now being part of MSCI Pakistan Investible Market Index.
- To highlight, as per expectations LUCK was not removed from the MSCI EM Standard Index (Large & mid cap), while Pakistan Petroleum Limited (PPL) was not made part of the index.

Exhibit:

Pakistan EM Index Weights

Company	Symbol	Current Weight (estimated)	Weight at time of announcement (May-17)
Oil & Gas Development Company Limited	OGDC	0.019%	0.021%
Habib Bank Limited	HBL	0.018%	0.033%
MCB Bank Limited	MCB	0.015%	0.018%
United Bank Limited	UBL	0.015%	0.025%
Lucky Cement Limited	LUCK	0.011%	0.023%
Engro Corporation Limited	ENGRO	-	0.019%
Total Weight		0.078%	0.140%

Source: IGI Research, MSCI

Exhibit:

MSCI Pakistan Investible Market Index

Symbol	Index Type	Current Status
OGDC	Large Cap	No Change
HBL	Mid Cap	No Change
MCB	Mid Cap	No Change
UBL	Mid Cap	No Change
LUCK	Mid Cap	No Change
ENGRO	Mid Cap	Downgraded to MSCI Small Cap
FERROZ	Small Cap	Removed
PSMC	Small Cap	Removed
SHEL	Small Cap	Removed

Source: IGI Research, MSCI

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