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# Weekly Stock Market Commentary

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During the outgoing week ending 31st March, the stock market remained flat on a week on week basis, as the benchmark KSE-100 increased by only 59 points.

Amidst decline in both volume and value traded, the benchmark KSE-100 Index oscillated in very narrow range of around 235 points throughout the week, reflecting lack of investors' interest. The listless performance is on account of prevailing uncertainty on both political and economic front. The prolonged delay in the materialization of the Staff Level Agreement (SLA) with the IMF remains a major cause of concern for investors, who shied away from taking any fresh positions. It has been almost two months since the IMF team concluded technical level talks and the signing of the SLA still hangs in balance due to pending assurances from friendly countries. The news flow & statement from government/IMF officials suggest that due to trust deficit between authorities & IMF, the Fund is adamant on arranging external financing from friendly countries as a pre-condition before finalizing the SLA. The subsidy on petrol prices announced last week also left a sour taste with the IMF and delayed agreements. Political events are also adding to the uncertainty as the government and the apex court appear to have locked horns over holding of provincial elections. The decision by ECP to delay elections till October was not welcomed by opposition. Thereafter, court proceedings took place on the matter which was followed by a bill passed in the National Assembly to limit CJP's powers to take suo motu notice as well as powers to constitute benches on his own. Amidst this uncertainty, Finance Minister Ishaq Dar met the UAE ambassador to discuss economic and financial ties, while the Minister of State for Finance and Revenue, Dr. Aisha Ghaus Pasha, mentioned that there has been progress in negotiations with UAE and Saudi Arabia for receiving external financing. Additionally, China rolled over a USD 2 billion deposit, which matured last week. Meanwhile, the foreign exchange reserves with the SBP decreased by USD 354 mn during the week, to settle at USD 4.2 bn, providing an import cover of 4 weeks.

Looking forward, the completion of the IMF program remains critical for the economic stability which will also restore investors' confidence. And as witnessed during the week, the idea of delay on IMF program does not sit well with investors who eagerly await the resumption of the program given its importance and the only option to avert any crisis like situation. Most of the conditions set forth by IMF which included interest rate hike, increase in utility prices, floating exchange rates, additional taxation measures, and power surcharges have all been fulfilled by the country. However, the recent proposal of subsidy on petrol to a certain segment has once again casted doubts on the success of ongoing negotiations. Monetary Policy Committee (MPC) meeting is also scheduled during the coming week where another 100-200bps hike is anticipated by the market. Although inflows and rollovers from China are taking place, and the government officials are consistently offering reassurances over materialization of flows, the uncertainty prevails. The materialization of additional flows from bilateral countries would strengthen reserves and will improve the dampened sentiments somewhat, in our view. On the political front, we believe that any resolution of the ongoing disagreements over conducting provincial elections will also provide some respite to the market.

Looking at fundamentals, Price-to-Earnings Ratio (P/E) of market is at multi-year low of around 3.9 times (earnings yield of around 25.6% as against 10-yr PIB yield of 14.98%). Therefore, we advise investors with medium to long-term investment horizon to build position in stock market through our NBP stock funds.