

## Weekly Stock Market Commentary

April 28, 2023

**Asim Wahab Khan, CFA**  
**Chief Investment Officer**

During the outgoing week ending 28<sup>th</sup> April, the stock market posted gains on a week-on-week basis, as the benchmark KSE-100 increased by 573 points (up by 1.4%).

The Pakistan Stock Exchange (PSX) witnessed a positive trend in the outgoing week, with the KSE-100 index climbing 573 points to close at 41,581 points. The key factors that contributed to the gains were cooling political temperature and robust corporate results and payouts. As the political parties continued with the negotiations on the upcoming elections, investors took heart that the process of dialogue may eventually lead to some political stability. The corporate results announced thus far indicate that despite the slowdown faced by the economy, the listed corporate sector has shown resilience with profitability for the first quarter growing by a whopping 24% on a year-on-year basis! On the macro front, the Finance Minister reiterated that all conditions had been met and that an agreement with IMF was imminent. Additionally, the release of the current account figures showing a surplus at the end of last week further boosted market sentiments. Another development was the progress made on the deal with Russia for the procurement of discounted oil, with the first shipment set to arrive soon, which would provide relief to the import-dependent country. Foreign exchange reserves for the outgoing week stood at USD 4.5 billion, providing an import cover of approximately one month.

Looking forward, the completion of the IMF program is imperative for the economic stability which will also restore investors' confidence. As witnessed, the news of financing commitments from friendly countries like UAE and Saudi Arabia has improved sentiments somewhat. This would also pave way for the approval of IMF's program, which has been stalling for months now, as well as provide a positive trigger for markets. The differences over the external financing gap remains a key issue, the resolution of which should fast-track the SLA. 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. On the political front, uncertainty prevails due to the impasse between the government and the apex court. The apex court has asked all political parties to come up with a consensus on the date for holding simultaneous general elections quickly, otherwise, the court noted, its order regarding the Punjab Assembly elections on May 14 would come into force. While the political news flow will remain fluid during the next month, any deterioration in political scenario would be negative for the market.

Looking at fundamentals, Price-to-Earnings Ratio (P/E) of market is at multi-year low of around 3.8 times (earnings yield of around 26.3% as against 10-yr PIB yield of 15.1%). Therefore, we advise investors with medium to long-term investment horizon to build position in stock market through our NBP stock funds.