

**New IMF Arrangement – Positive for the Economy & Stock Market****July 3, 2023**

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Pakistan and IMF have finally reached an agreement at the staff level for a USD3.0bn Stand-By Arrangement (SBA). This agreement is still pending approval from the IMF Executive Board, which is expected to take place on 12th July, 2023.

The new SBA is critical to stabilize the economy from recent external shocks, preserve macroeconomic stability and provide a framework for financing from multilateral and bilateral partners. The SBA will provide much-needed immediate financial relief, ameliorate the credibility of Pakistan in the eyes of global financial community, thus paving the way for continuation of flows from multilateral agencies such as the World Bank, Asian Development Bank, Islamic Development Bank and international capital markets. This may also unlock critical additional funding and rollovers from friendly Gulf countries and China, which is expected to further strengthen the external reserves position.

Historically, improvement in FX reserves led by an IMF program has led to improved market sentiments and hence better stock market returns. From a fundamental perspective, the market is trading at a record low Price-to-Earnings (P/E) multiple of 3.2x (As per Bloomberg), versus historical average of 8.2x. The market also offers a healthy 9-10% dividend yield.

Investors with medium to long-term investment horizon are advised to invest in the stock market via our NBP Stock Funds, which have a long-term track record of outperforming the stock market.