Capital Market Review

NBP FUNDS
Managing Your Savings
NBP Fund Management Limited

November 2023

Stock Market Review

The robust momentum in equity markets continued in November, with the benchmark KSE-100 Index surging by an impressive 8,611 points, marking a remarkable monthly return of 16.6%. This month proved to be a landmark as the index not only surpassed its previous high set in May 2017 but also reached a record level of 60,531 points.

Investor confidence remained high, contributing to the market's exceptional performance. The positive sentiment was widespread, with only three trading sessions experiencing negative index closes throughout November. The month commenced on a strong note, with investor confidence boosted by the status quo in the Monetary Policy Statement (MPS) held on October 30th. The central bank's acknowledgment of moderating inflationary pressures, particularly in the second half of the fiscal year, set a positive tone.

Other contributing factors included the government's approval of revised gas tariffs, which generated strong interest in energy-related stocks. The announcement of the election date by the Election Commission of Pakistan (ECP) further alleviated political uncertainties. A significant positive development was the signing of the Staff-Level Agreement (SLA) with the IMF on the first review, signalling the government's commitment to addressing key issues.

International Finance Corporation's (IFC) commitment to inject over USD 1.5 billion into Pakistan's economy and the USD 3 billion rollover by the Saudi Fund for Development for one more year also played pivotal roles in the bullish market run. Notably, the October current account deficit (CAD) contracted by 66% compared to the same period last year, mainly due to a substantial reduction in the import of goods. While the Consumer Price Index (CPI) for November registered at 29.2%, slightly exceeding expectations, this increase was primarily attributed to a significant gas price adjustment during the month.

During November, Auto Assemblers, Cable & Elec. Goods, Cements, Food & Personal Care, Glass & Ceramics, Miscellaneous, Pharmaceutical, Power Generation & Distribution, Textile Composite, Tobacco and Transport sectors outperformed the market. While, Commercial Banks, Engineering, Fertilizer, Insurance, Oil & Gas Exploration, Oil & Gas Marketing Companies, Paper & Board, Refineries, Sugar & Allied Industries and Technology & Communication sectors lagged the market. On participant-wise activity, after a long-time aggressive buying from Foreigners was witnessed that stood at around USD 34.5 mn in November, which is the highest in almost 6 years. Other net buyers in the equities were Companies and Insurance, accumulating shares worth USD 15 mn, and USD 12 mn, respectively. On the contrary, Banks and Other Organizations sold stocks amounting to USD 46 mn, & USD 9 mn, respectively.

Notwithstanding the staggering return of equities in the past five months, the stock market still trades at inexpensive valuations (Price-to-Earnings Ratio (P/E) of market is merely at 4.3x as against last 10 years' average of around 7.5x). Corporate profitability has risen at a brisk pace in the past three years and the outlook also looks sanguine. The dividend yield of the market is healthy at around 9-10%. Therefore, we advise investors with medium to long-term investment horizon to build position in stock market through our NBP stock funds, which have the history of providing superior returns to investors.

Money Market Review

The recent increase in gas tariffs presents potential challenges to FY24 inflation. To sustain a downward inflation trend, it is crucial to continue practicing fiscal prudence, achieve targeted fiscal consolidation, enhance the market availability of key commodities, and maintain aligned interbank and open market exchange rates. Positive developments, including a narrowed current account deficit in the quarter, reforms in exchange companies, and actions against illicit market activities, have contributed to improved foreign exchange (FX) market sentiments and liquidity. As of November 24, 2023, the net liquid foreign exchange reserves with the State Bank of Pakistan (SBP) amount to approximately USD 7.26 billion, reflecting a modest decrease of USD 0.25 billion compared to October 2023. This decrease comes amid tepid official inflows.

SBP held three T-Bill auctions with a target of Rs. 3,375 billion against the maturity of Rs. 4,628 billion. In the first T-Bill auction, an amount of Rs. 982.9 billion was accepted at a cut-off yield of 21.9495%, 21.9898% and 21.9999% for 3-month, 6-month and 12-month tenures respectively. In the second T-Bill auction, an amount of around Rs. 1,025.1 billion was accepted at a cut-off yield of 21.4997%, 21.4999% and 21.5001% for 3-month, 6-month and 12-month tenures respectively. In the third T-Bill auction, an amount of around Rs. 1,015.3 billion was accepted at a cut-off yield of 21.4499%, 21.4299% and 21.4300% for 3-month, 6-month and 12-month tenures respectively. In the PIB auction, bids worth around Rs. 252 billion were realized for 3-years, 5-years and 10-years at a cut-off yield of 17.39%, 15.95% and 15.10%. However, no bids were received for 15-years, 20-years and 30-years tenures.

We have calibrated the portfolio of our money market and income funds based on our macro-economic outlook and will remain vigilant to any developments that may influence our investment strategy.

Capital Market Review

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NBP Fund Management Limited

November 2023

Stock Market Review

The robust momentum in equity markets continued in November, with the benchmark KMI-30 Index surging by an impressive 13,476 points, marking a remarkable monthly return of 15.3%. This month proved to be a landmark as the index not only surpassed its previous high set in May 2017 but also reached a record level of 101,701 points.

Investor confidence remained high, contributing to the market's exceptional performance. The positive sentiment was widespread, with only five trading sessions experiencing negative index closes throughout November. The month commenced on a strong note, with investor confidence boosted by the status quo in the Monetary Policy Statement (MPS) held on October 30th. The central bank's acknowledgment of moderating inflationary pressures, particularly in the second half of the fiscal year, set a positive tone.

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During November, Auto Assemblers, Cable & Elec. Goods, Cements, Food & Personal Care, Glass & Ceramics, Miscellaneous, Pharmaceutical, Power Generation & Distribution, Textile Composite, Tobacco and Transport sectors outperformed the market. While, Commercial Banks, Engineering, Fertilizer, Insurance, Oil & Gas Exploration, Oil & Gas Marketing Companies, Paper & Board, Refineries, Sugar & Allied Industries and Technology & Communication sectors lagged the market. On participant-wise activity, after a long-time aggressive buying from Foreigners was witnessed that stood at around USD 34.5 mn in November, which is the highest in almost 6 years. Other net buyers in the equities were Companies and Insurance, accumulating shares worth USD 15 mn, and USD 12 mn, respectively. On the contrary, Banks and Other Organizations sold stocks amounting to USD 46 mn, & USD 9 mn, respectively.

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