

# Weekly Stock Market Commentary

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The equity market remained sideways during the outgoing week ending 9th February as the benchmark KSE-100 index fell by 0.09% or 59 points during the week.

The week started off on a strong note despite prevailing uncertainty surrounding the General Elections owing to investors' renewed interest in KSE100 heavyweight, E&Ps sector. During the week, OGRA approved tariff hikes for gas utilities whereas the Caretaker Govt has also formally briefed the IMF about the energy sector circular debt and electricity tariff rationalization plan. After rallying in the first two trading days by 1,141 points, the market shed all gains post-General Elections-2024. The final results of elections have rolled in where Independents backed by PTI have won the most seats, followed by PMLN which has underperformed general expectations by securing 75 seats. The results clearly indicate a formation of a coalition setup which may take some time, especially considering controversies surrounding the discrepancies in results available with parties based on Form-45 and the final results announced by Returning Officers based on Form-47. The international bonds market have also reacted negatively post-elections with Pakistan's Euro bonds dropping the most in seven months.

## General Election 2024 – Results

	National	Punjab	Sindh	KPK	Balochistan
Independents	101	138	13	90	6
PMLN	75	137	0	5	10
PPPP	54	10	84	4	11
MQMP	17	0	28	0	0
Others	17	11	4	13	24
Postponed/Withheld	2	1	1	3	0
<b>Total</b>	<b>266</b>	<b>297</b>	<b>130</b>	<b>115</b>	<b>51</b>

In terms of other major news, cut-off yields in the latest T-Bill auction declined modestly by 6 and 15 basis points for the 3 and 12-month paper to record at 20.43% and 20.08%, respectively. In an attempt to contain SOE's burgeoning losses, the caretaker federal cabinet has approved the restructuring of Pakistan International Airline and the privatization of First Women Bank Limited. As per the plan shared by the news outlets, PIA will be divided into two companies, Top-Co and Hold-Co. The Top-Co will incorporate PIA's core operations of engineering, ground handling, cargo, flight kitchen, and training. On the other hand, Precision Engineering Complex, the PIA Investment Limited, properties, and other subsidiaries will be included in the Hold-Co. In another major development, SECP has introduced amendments in Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations for the protection of the Minority Shareholders of the Target Company. In the said amendments, securities offered as payment to the Minority Shareholders must be as good as cash (earlier acquirer was allowed to offer either cash or securities). The amended Regulations also prescribe various methods for determining the price to be offered by the Acquirer to the Minority Shareholders of the Target Company. These amendments are expected to protect minority shareholders' stake and will also help in improving investors' sentiments.

Looking ahead, the stock market may consolidate and correct in the near term due to prevailing political uncertainty during the formation of the new govt after the general elections. However, in the medium to long term, we expect the continuation of strong price performance in equities given the favorable conditions in the backdrop of 1) steep decline in Policy Rate expected in CY24 on the back of easing inflationary pressures, 2) sizeable inflow of foreign and institutional liquidity in equities, 3) strong earnings momentum of listed companies, and 4) inexpensive valuations. The result season has also kicked off from January, wherein we expect the corporates to declare stellar results along with healthy cash payouts, which will act as strong catalysts. Furthermore, the softening of the commodity cycle augurs well for Pakistan's external position, and the repeat of a healthy surplus on the current account will augment the sentiments of the market.

Despite the robust market performance, valuations remain remarkably attractive. Our universe's Price-to-Earnings Ratio (P/E) stands at a modest 4.3x, translating to an earnings yield of 23.3%, surpassing the 10-year PIB yield of 14.2%. Additionally, the market boasts a healthy dividend yield of 9-10%. For investors eyeing a medium to long-term horizon, we strongly recommend establishing a position in the stock market through our NBP stock funds.