

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

After three consecutive weeks of decline, equities reversed course, with the benchmark KSE-100 Index advancing by 2,342 points during the week ended 14th November, translating into a weekly return of 1.5%. Most of the Index gains were driven by the Fertilizer and Cement sectors, while Commercial Banks and Pharmaceuticals exerted mild downward pressure.

The week opened on a positive note, with the benchmark Index rising 1.2% on Monday. However, equities retreated sharply on Tuesday, shedding around 3,668 points (-2.3%) as a deadly terror attack in the capital unsettled investors. The bombing claimed 12 lives and injured more than 20 people—marking the most severe suicide attack to hit the city in nearly two decades. Despite this setback, the market regained momentum over the following sessions, supported by ample institutional liquidity.

On the economic front, the IMF has scheduled an executive board meeting for December 8th to review Pakistan's progress under the second review of the 37-month Extended Fund Facility (EFF) and the first review of the 28-month Resilience and Sustainability Facility (RSF). Meanwhile, overseas Pakistanis remitted USD 3.4 billion in October 2025, reflecting a 12% YoY increase and bringing 4MFY26 inflows to USD 13 billion—up 9.3% from USD 11.9 billion in the same period last year.

Pakistan is preparing to re-enter international capital markets next year with a Eurobond issuance after nearly five years. Domestically, the government raised PKR 478 billion (realized amount) through the auction of market treasury bills against a target of PKR 550 billion. Cut-off yields stayed largely unchanged across all tenors, with the 1M at 10.99%, 3M at 11.04%, 6M at 11.05%, and 12M at 11.35%.

Following its recent peak of around 169,000 points on October 3rd, the KSE-100 Index appears to have entered a consolidation phase. Softer-than-expected corporate earnings and persistent geopolitical uncertainty have weighed on investor sentiment. Nevertheless, sustained diplomatic engagement between Pakistan and Afghanistan may help ease regional tensions and support a gradual restoration of confidence.

Broadly, the equity market remains fundamentally well-positioned for further upside, bolstered by improving macroeconomic indicators and a stable policy backdrop. The outlook is further strengthened by ongoing macroeconomic stabilization under the IMF program, an improved external account, and supportive global commodity trends amid a softer international growth environment. Additionally, liquidity rotation from fixed income to equities and the government's continued efforts to address circular debt should provide incremental support.

At current levels, the KSE-100 Index trades at a forward price-to-earnings multiple of 7.7x, leaving room for a valuation re-rating toward its 2006–2017 historical average of approximately 9x. While overall market returns are expected to normalize to the 15–20% range, equities continue to offer compelling risk-adjusted returns relative to fixed-income yields, which currently hover around 10%. For medium to long-term investors, maintaining or selectively increasing equity exposure remains prudent. NBP's equity funds, which have demonstrated consistent long-term outperformance, offer an effective vehicle for capturing Pakistan's long-term growth potential. Continued structural reforms and steady macroeconomic improvement are expected to underpin a gradual and sustained re-rating of the equity market in the months ahead.