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After a muted performance last week, the equities resumed its bullish momentum during the outgoing week ending December 12th. The benchmark KSE-100 Index gained 2,779 points, translating into a week-on-week return of 1.7%. During the week, the index reached all time intraday high of 170,698 points but fell slightly short of this level by end of the week to settle at an all-time high closing level of 169,865. Major contribution to the index came from the Cement, Fertilizer & Commercial Banks sectors.

During the week, IMF Executive Board approved Pakistan's loan review and approved the release of USD 1 billion under the USD 7 billion Extended Fund Facility (EFF) and USD 200 million under the Resilience and Sustainability Facility (RSF). Moreover, the government has agreed to 11 new targets, including additional tax measures and expenditure cuts starting early next month, to offset rising revenue shortfalls and ensure the EFF remains on track. On a positive note, the IMF highlighted that GDP growth was stronger than anticipated in FY25, though the recent floods have moderately dampened the FY26 outlook, while inflation is expected to increase. Additionally, the ADB has also approved three projects totalling USD 381 million to strengthen agriculture, education, and health services in Punjab. Meanwhile, home remittance inflows posted strong growth of 9.3%, reaching USD 16.15 billion during 5MFY26 compared to USD 14.77 billion in 5MFY25.

In sectoral developments, NEPRA approved the government's announced reduction in electricity tariffs for the industrial & agricultural sectors to PKR 22.98/kwh, aimed at easing the cost of doing business and supporting economic growth. Auto sales surged by 52% year-on-year to 15,442 units in November, taking cumulative sales during 5MFY26 to 75,042 units up 48% from 50,856 units in 5MFY25. Meanwhile, the ECC approved an additional PKR 2.56 per litre margin on petrol and diesel for Oil Marketing Companies (OMCs) and their dealers in a phased wise manner. After these adjustments, OMCs will earn PKR 9.10 per litre and dealers PKR 9.98 per litre. In another significant development, the U.S. Deputy Chief of Mission and Acting Ambassador to Pakistan announced that the recently approved USD 1.25 billion financing from the U.S. Export-Import (EXIM) Bank for the Reko Diq project will bring up to USD 2 billion in high-quality U.S. mining equipment and services to support the project's development.

After a strong price performance in the KSE-100 Index during the July-September period of FY26, the market entered a consolidation phase over the past two months. However, in the last five weeks, the index has resumed its upward trajectory, signalling potential for the continuation of rally. Overall, the equity market remains fundamentally well-positioned for further gains, supported by improving macroeconomic indicators and a stable policy environment. The outlook is further reinforced by continued macroeconomic stabilization under the IMF program, a manageable external account, and favourable global commodity dynamics amid a softer international growth backdrop. Additionally, the ongoing liquidity rotation from fixed income to equities, coupled with the government's sustained efforts to address circular debt, should provide incremental support to the market.

At current levels, the KSE-100 Index trades at a forward price-to-earnings multiple of 8.2x, 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 rerating of the equity market in the months ahead.