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The equity market extended its upward trajectory during the week ending December 26th, marking its seventh consecutive week of gains. The benchmark KSE-100 Index advanced by 996 points, or 0.6%, to close at an all-time high of 172,401. The primary sectors driving the rally were Commercial Banks, Oil & Gas Exploration Companies, and Fertilizer. On the investor front, Mutual Funds emerged as the largest buyers, with net inflows of USD 4.4 million. Conversely, Insurance Companies offloaded positions worth USD 5 million during the week.

Equities began the week on a muted note, with the KSE-100 Index declining by a cumulative 0.3% over the first three trading sessions, primarily due to rollover pressure ahead of the December futures contract expiry. However, renewed buying interest on the final trading day enabled the index to recover earlier losses and close the week at an all-time high on a closing basis, settling at 172,401.

A key highlight of the week was the landmark privatization transaction of Pakistan International Airlines (PIA). The auction represented the government's second attempt at divesting PIA as part of a broader reform agenda and marked Pakistan's first major privatization in nearly two decades. A consortium led by the Arif Habib Group emerged as the winning bidder for the acquisition of a 75% stake in PIA, submitting a top bid of PKR 135 billion—approximately 35% above the government's reference price. This comprised an upfront sale consideration of PKR 10 billion, along with a committed capital investment of PKR 125 billion for the airline's operations and fleet over the next five years.

On the macroeconomic front, the World Bank's Board of Executive Directors approved USD 700 million in financing for the Pakistan Public Resources for Inclusive Development – Multiphase Programmatic Approach (PRID-MPA), a multi-year and multi-program initiative aimed at supporting macroeconomic stability and improving service delivery. In addition, Pakistan and the Asian Development Bank (ADB) signed two major initiatives totalling USD 730 million, including: (i) the Second Power Transmission Strengthening Project amounting to USD 330 million, and (ii) the Accelerating State-Owned Enterprise (SOE) Transformation Program amounting to USD 400 million.

Following strong gains during the July–September period, the index remained largely range-bound in the subsequent months. While gains in recent weeks have been relatively modest, the more important development has been the restoration of upward momentum, signalling the potential continuation of the ongoing rally. Overall, the equity market remains fundamentally well positioned for further upside, 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 into 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 is trading at a forward price-to-earnings multiple of 8.3x, leaving room for a valuation re-rating toward its historical average of approximately 9x observed during the 2006–2017 period. 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.