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The stock market extended its upward momentum, delivering positive returns for the eleventh consecutive week, underscoring the durability of the ongoing rally. Investor sentiment remained constructive as broad-based buying interest supported gains across key sectors, while liquidity conditions continued to provide a favorable backdrop. Reflecting this strength, the benchmark index scaled fresh record highs and has consistently advanced throughout the fiscal year to date, highlighting sustained confidence in macroeconomic stability and corporate fundamentals. The benchmark KSE-100 Index rose by 4,068 points during the outgoing week ending 23rd January (up by 2.2% on a WoW basis). Fertilizers, Inv. Banks/Cos, and Power sector stocks contributed the most to the KSE-100's performance during the week. Investor activity showed mutual funds and individuals as net buyers, while foreign investors and companies turned net sellers. Notably, with seven months of FY26 already elapsed, the benchmark has generated an approximate return of 51% for investors, underscoring the exceptional performance recorded thus far in the fiscal year.

In key economic news flows, Pakistan posted a current account deficit of USD 244 million in December 2025, compared to a revised surplus of USD 98 million in November 2025. As a result, the cumulative current account deficit for 1HFY26 stood at USD 1,174 million, versus a surplus of USD 957 million in the same period last year. On the investment front, net Foreign Direct Investment (FDI) recorded an outflow of USD 135 million in December 2025, compared to a net inflow of USD 180 million in November 2025, taking cumulative net FDI during 1HFY26 to USD 809 million, reflecting a 43% YoY decline. In a significant positive development, Pakistan recorded its highest-ever monthly IT exports of USD 437 million in December 2025, up 26% YoY and 23% MoM, exceeding the last 12-month average of USD 341 million and underscoring the sector's continued growth momentum. Alongside the current account data, the State Bank of Pakistan (SBP) released the Real Effective Exchange Rate (REER) for December, which declined to 103.7 from 104.88 in the previous month, indicating a marginal improvement in trade competitiveness.

In other developments, Pakistan is reportedly seeking a more flexible stance from the International Monetary Fund (IMF) and exploring the possibility of renegotiating certain terms for the remaining period of the Fund-supported program. In this context, Prime Minister Shehbaz Sharif attended the World Economic Forum (WEF) in Davos, where he met the IMF's Managing Director and shared progress on the program. Separately, the Prime Minister has constituted a high-powered committee, led by Deputy Prime Minister Ishaq Dar, tasked with formulating a strategy to exit the IMF program by FY28, anchored on accelerating economic growth and reviving sluggish economic activity in the coming years.

Despite the strong gains at PSX, the equity market remains fundamentally well positioned for further upside, supported by improving macroeconomic indicators, gradual decline in policy rate amidst benign inflation outlook, and a stable policy environment. The outlook is further reinforced by continued macroeconomic stabilization under the IMF program, a manageable external account, and favorable global commodity dynamics amid a softer global growth backdrop. In addition, ongoing liquidity rotation from fixed income into equities, along 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 P/E of around 9.0x. While overall market returns are expected to normalize in the 15–20% range, equities continue to offer attractive risk-adjusted returns relative to fixed-income yields, which are now in single digit. For medium- to long-term investors, maintaining or selectively increasing equity exposure remains advisable. NBP's equity funds, which have demonstrated consistent long-term outperformance, provide an effective avenue 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.