

June 12,
2019

Economy News

Public finance management bill approved by government

Economy | Neutral

The government has approved Public Finance Management Bill, 2019, aimed at limiting supplementary grants and restriction on movement of public money into scheduled banks' accounts. (BR) | [Click for more info.](#)

Budget termed 'positive' for capital market

Capital Market | Neutral

Analysts termed the federal budget positive for capital market as no new tax was imposed on stocks. However, they said that the budget would be negative for textile, cement, auto and refineries sectors. They said that the measurers announced in the budget will help increase revenue. (BR) | [Click for more info.](#)

Capital markets unmoved

Capital Market | Negative

The budget 2019-20 on the whole was defined by most market participants as "neutral to negative". Following the first readings of the document, brokers and analysts categorised the budget as "negative" for cement, steels, automobiles, independent power producers (IPP) and textile sectors. However, for fertiliser and heavyweight banking, the budget appeared on the face of it to be "neutral". (Dawn) | [Click for more info.](#)

Rupee continues slide on devaluation worries

Economy | Negative

The rupee dropped 0.91 percent or Rs1.37 against the dollar in the interbank market on Tuesday, with investors worried about further devaluation in post-budget period, dealers said. Extending its drops into a second session, the rupee fell to 151.95 per dollar intraday, dealers said. However, the rupee closed at 151.47 per dollar, compared with Monday's close of 150.10. (The News) | [Click for more info.](#)

Adhering to IMF's prior condition

Economy | Neutral

The budget 2019-20 read out by Hammad Azhar the Minister of State for Revenue adheres to the International Monetary Fund's (IMF's) prior condition of the primary deficit at 0.6 percent of GDP: total deficit (3.15 trillion rupees) minus total markup (2.89 trillion rupees) as a percentage of projected GDP of 44 trillion rupees. (BR) | [Click for more info.](#)

Growth expected to slightly recover at 4pc

Economy | Neutral

The economy will grow 4 percent in next fiscal year from a slow-down in 2019 on proposed policy measures to address structural imbalances, but inflation is likely to pick up further due to risks of high global commodities prices, a weaker rupee and a planned tax increase, budget documents showed on Tuesday. Growth is estimated at 3.29 percent for the outgoing fiscal year. (The News) | [Click for more info.](#)

Rs3tr foreign loans planned to finance budget

Economy | Neutral

The incumbent government plans to increase foreign borrowing for budgetary support by threefold in the next fiscal year compared to the proposals in the budget 2018-19. (Dawn) | [Click for more info.](#)

Pakistan Stock Exchange Overview

	Open	Close	Chg.	%
KSE All	25,892.8	25,350.6	-542.1	-2.1%
KSE100	35,505.3	34,567.6	-937.7	-2.6%
KSE30	16,787.7	16,276.2	-511.5	-3.0%
KMI30	56,531.8	54,515.1	-2016.7	-3.6%

Top Five Gainers

	Open	Close	Chg.	%
SCL	190.0	199.5	9.5	5.0%
AABS	185.7	191.9	6.2	3.3%
MFFL	256.5	260.0	3.5	1.4%
DYNO	70.3	73.8	3.5	4.9%
PGCL	84.0	87.1	3.1	3.7%

Top Five Volume Leaders

	Open	Close	Chg.	Vol.
KEL	4.1	4.3	0.2	18.53
BOP	10.6	10.1	-0.6	7.33
UNITY	10.7	9.8	-0.9	4.31
LOTCEM	15.1	14.1	-1.0	3.68
OGDC	130.9	126.7	-4.2	2.94

Portfolio Investments – Net Position

FIPI	Buy	Sell	Net
F-Individuals	0.00	-0.05	-0.05
F-Corporates	7.84	-3.50	4.34
O/S Pakistanies	0.74	-0.62	0.12
Net	8.58	-4.16	4.42

LIPI

Individuals	15.77	-17.04	-1.27
Companies	2.83	-1.78	1.05
Comm. Banks	1.45	-0.35	1.10
NBFC	0.00	0.00	0.00
Mutual Funds	1.15	-2.16	-1.01
Other	0.18	-0.80	-0.62
Brokers Proprietary	4.84	-7.20	-2.36
Insurance	0.60	-1.91	-1.31
Net	26.83	-31.24	-4.42

Source: NCCPL

Commodity Outlook

	Unit	Close	% chg.
Crude oil	USD/bbl.	53.46	0.4%
Brent oil	USD/bbl.	62.41	0.2%
Gold	USD/t oz.	1328.99	0.1%
Silver	USD/t oz.	14.71	0.0%
Coal	USD/ton	65.60	1.9%
Steel Scrap (LME)	USD/ton	297.00	0.0%
Steel Rebar (LME)	USD/ton	472.00	0.0%
USD/PKR	Interbank	150.74	1.7%

Source: Bloomberg/SBP

News Source: Local / Int'l Newspapers and websites

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Tax-centric, relief-shy budget to set inflation on fire: economists

Economy | **Negative**

The budgetary measures announced by the government will increase the inflationary pressure, besides it is questionable that how the government will achieve the uphill task of collecting Rs5.5 trillion tax revenues through the existing machinery of Federal Board of Revenue (FBR), economists said on Tuesday. (The News) | [Click for more info.](#)

Foreign, domestic debt repayments to slice more than half of budget outlay

Economy | **Negative**

Foreign and domestic debt repayments will eat up more than half of the budget outlay during the next fiscal year. The country will expend Rs359.764 billion on foreign debt servicing (interest payments), staggering Rs1.095 trillion on repayments of principal amounts of foreign loans, and Rs2.532 trillion on domestic debt servicing during the next fiscal year of 2019/20, a budget document showed. (The News) | [Click for more info.](#)

C/A deficit projected at \$8.3 billion

Economy | **Neutral**

Current account deficit is projected at US \$ 8.312 billion (3% of the GDP) during the fiscal year 2019-20 as against estimated deficit of US \$ 13.179 billion (4.7% of GDP) by the end of outgoing fiscal year. (BR) | [Click for more info.](#)

Power

Subsidies raised to Rs 271.5 billion

Power | **Positive**

The Khan-led government has increased subsidy volume by 6.5 percent to Rs 271.5 billion for the fiscal year 2019-20 from revised allocation of Rs 254.995 billion in 2018-19. In budget 2019-20, the allocation for subsidies to Wapda/Pepco forms the major component which is 70.3 percent of the total allocation followed by subsidy to KE with share of 21.9 per cent, USC with share of 5.7 percent and Passco with share of 8 percent. (BR) | [Click for more info.](#)

Textile

Neither austere nor Keynesian

Textile | **Negative**

The government on Tuesday unveiled a 7.1 percent deficit or Rs 3,151 billion deficit budget for the next fiscal year (2019-20) and withdrew sales tax zero-rating facility to five leading export oriented sectors as well as increased sales tax on sugar to 17 percent amid noisy protest of the opposition parties. (BR) | [Click for more info.](#)

World Indices

	Last	Chg.	Chg. %
HK - Hang Seng	27,578.6	613.36	2.27%
INDIA - SENSEX	39,784.5	168.62	0.43%
Taiwan - TWII	10,566.5	157.27	1.51%
KSA - Tadawul	8,849.2	149.99	1.72%
INDONESIA - IDX	6,289.6	80.49	1.30%
US - Dow 30	26,062.7	78.74	0.30%
PHILP - PSEi	8,045.4	61.41	0.77%
CHINA - Shanghai	2,852.1	24.33	0.86%
US - S&P 500	2,886.7	13.39	0.47%
PAK (KSE-100)	34,567.6	-937.74	-2.64%

Source: Bloomberg

Board Meetings

Script	Day	Agenda	Time
BAFS	THURSDAY	Acquisit. of 97.16%Shrs	11:00 AM

Source: PSX Announcement



Miscellaneous

Naya Pakistan Housing Scheme: KP to construct 20,000 housing units **Construction Materials | Positive**

Chief Minister Khyber Pakhtunkhwa Mahmood Khan on Tuesday approved three housing schemes that will be constructed under Naya Pakistan Housing Scheme and ordered swift implementation on this project of public welfare. (BR) | [Click for more info.](#)

FED on cigarettes increased

Tobacco | Negative

The government has increased Federal Excise Duty (FED) on cigarettes through finance bill 2019-20 instead of imposing health levy, the budget document showed on Tuesday. (The News) | [Click for more info.](#)

Rs13.376 bn allocated for health sector

Pharma | Positive

The state minister, however, announced a significant relief for common men, saying to reduce cost of medicines for general public, 19 items of raw materials and essential items of medicinal use are being proposed to be exempted from 3 percent import duties. (The News) | [Click for more info.](#)

Evaluation rate of property raised

Real Estate | Neutral

The government in the Budget 2019-20 has proposed to raise the valuation rate of immovable property up to 85 percent of the market value and no capital gains tax will be charged if a property is held for more than 10 years. (The News) | [Click for more info.](#)

Political News

PM Imran Khan announces to make high-powered enquiry commission on 10-year debt

In his address to the nation, Prime Minister vowed to nab the "thieves who plunged the country in debt badly." PM Imran Khan announced to make high-powered commission to investigate loans taken in last ten years. (The News) | [Click for more info.](#)

International News

Stocks Mixed After Rally; Treasuries, Yuan Steady: Markets Wrap

Asian stocks were mixed after U.S. equities halted a five-day winning streak and Treasuries steadied amid signs of fatigue from the recent global revival in risk appetite. (Bloomberg) | [Click for more info.](#)

Oil falls on weaker oil demand growth, surprise rise in U.S. crude stocks

Oil prices fell on Wednesday, weighed down by a weaker oil demand outlook and a rise in U.S. crude inventories despite growing expectations of ongoing OPEC-led supply cuts. (Reuters) | [Click for more info.](#)



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Rating Criteria

Rating - Expected Total Return
Buy - Greater than 10%
Hold - Neither Buy nor Sell
Sell - Less than and equal to -10%

Valuation Methodology

To arrive at our 12-months Price Target, ABA Ali Habib Research uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology. In this report, our PT is founded on FCF based DCF methodology.

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