



October  
21, 2019

## Economy News

**Pakistan gets four months to avoid FATF blacklist**

**Economy | Neutral**

The Financial Action Task Force (FATF) announced on Friday that it was retaining Pakistan on its grey list for four more months after which Islamabad might face action including being blacklisted if it failed to make any significant progress on the inter-governmental body's 27-point action plan. (ET) | [Click for more info.](#)

**IMF team to visit Pakistan at the end of this month for the first review:**

**Jihad Azour**

**Economy | Neutral**

Director of the International Monetary Fund (IMF) Middle East and Central Asia Department Jihad Azour has said that the Reform agenda currently in place in Pakistan supported by IMF is the right recipe for improving macroeconomic stability. He further said that the program will not only address some of the imbalances that we saw in the last few years, it would also allow the economy to be more competitive, and the creditworthiness of Pakistan will also be improved. (Mettisglobal) | [Click for more info.](#)

**\$6 billion bailout: Pakistan to seek IMF waiver after FATF decision**

**Economy | Neutral**

Pakistan will have to seek the IMF waiver on structural benchmark condition with regard to \$6 billion bailout after the Financial Action Task Force (FATF) retained its greylist status for an extended period up to February 2020 in its October 13 to 18 plenary meeting at Paris. Under the structural benchmark of IMF-sponsored bailout package of \$6 billion, Pakistan was bound to exit the FATF list by end October 2019. (The News) | [Click for more info.](#)

**IMF, ADB support economic reforms**

**Economy | Positive**

Asian Development Bank (ADB) and International Monetary Fund (IMF) on Friday expressed their support to Pakistan's efforts towards bringing the ailing economy back on the trajectory of sustainable and inclusive growth. (The News) | [Click for more info.](#)

**SEZs: incentive package may include tax relief, foreign ownership**

**Economy | Neutral**

The incentive package for the Special Economic Zones (SEZs) may include corporate income tax/turnover tax exemption, 100 percent foreign ownership, no minimum investment requirement, and no taxes on non-residents. (BR) | [Click for more info.](#)

**Chinese investors planning to invest \$5b in SEZs**

**Economy | Positive**

Special Economic Zones (SEZs) will create new business opportunities for Chinese companies in many sectors of the economy as investors are planning to invest \$5 billion in Pakistan over the next three to five years, said Chinese Ambassador Yao Jing. (ET) | [Click for more info.](#)

**C/A deficit contracts 64pc in July-Sept**

**Economy | Positive**

Current account deficit sharply narrowed 64 percent to \$1.548 billion in the first quarter of the current fiscal year as imports significantly declined during the period, the central bank data revealed on Friday. Current account deficit stood at \$4.287 in the corresponding period of the last fiscal year. (The News) | [Click for more info.](#)

### Pakistan Stock Exchange Overview

	Open	Close	Chg.	%
KSE All	24,590.0	24,453.8	-136.2	-0.6%
KSE100	33,898.6	33,870.2	-28.4	-0.1%
KSE30	15,822.2	15,828.6	6.4	0.0%
KMI30	54,200.1	54,589.5	389.4	0.7%

### Top Five Gainers

	Open	Close	Chg.	%
UPFL	6,700.0	6,999.5	299.5	4.5%
NESTLE	5,525.0	5,764.2	239.2	4.3%
RMPL	7,100.0	7,200.0	100.0	1.4%
SFL	670.5	704.0	33.5	5.0%
MARI	1,015.4	1,032.3	16.9	1.7%

### Top Five Volume Leaders

	Open	Close	Chg.	Vol.
LOTCEM	16.6	16.1	-0.5	18.39
EFERT	69.1	72.1	3.1	7.92
BOP	9.7	9.8	0.1	7.77
TRG	16.2	16.1	-0.1	5.35
UNITY	10.7	10.4	-0.3	4.07

### Portfolio Investments – Net Position

FIPI	Buy	Sell	Net
F-Individuals	0.02	-0.01	0.00
F-Corporates	2.09	-2.82	-0.73
O/S Pakistanies	2.53	-1.57	0.97
<b>Net</b>	4.64	-4.40	0.24

### LIPI

Individuals	28.59	-27.88	0.71
Companies	0.75	-1.56	-0.81
Comm. Banks	2.92	-1.29	1.63
NBFC	0.04	0.00	0.04
Mutual Funds	2.90	-2.86	0.04
Other	0.05	-0.56	-0.52
Brokers Proprietary	7.52	-8.17	-0.65
Insurance	0.67	-1.34	-0.67
<b>Net</b>	43.43	-43.66	-0.24

Source: NCCPL

### Commodity Outlook

	Unit	Close	% chg.
Crude oil	USD/bbl.	53.62	-0.3%
Brent oil	USD/bbl.	59.15	-0.5%
Gold	USD/t oz.	1490.21	0.0%
Silver	USD/t oz.	17.55	0.0%
Coal	USD/ton	67.15	-0.1%
Steel Scrap (LME)	USD/ton	239.00	0.4%
Steel Rebar (LME)	USD/ton	405.00	0.2%
USD/PKR	Interbank	156.11	0.0%

Source: Bloomberg/SBP

**News Source:** Local / Int'l Newspapers and websites

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## PM arrives in Karachi today

### Capital Market | Neutral

Prime Minister Imran Khan will arrive in Karachi on Monday (today) on a day-long visit where he will hold meetings with high-ups besides inaugurating a power project, citing sources. During the visit, the prime minister will meet Pakistan Tehreek-e-Insaf (PTI) Sindh chapter leadership and lawmakers. A session will be summoned by PM to make consultations over the issues of the port city. The PM will also meet the business community during his visit. (BR) | [Click for more info.](#)

## Oil & Gas

### Shale & tight gas; OGDCL, foreign cos to start exploration by end of year

#### OGDC | Positive

The Oil and Gas Development Company Limited (OGDCL) will start exploration of shale and tight gas in joint ventures with foreign companies by the end of current year. Sources in Petroleum Division said the government is in process of finalizing a policy to exploit massive shale gas reserves identified after a study completed in collaboration with the USAID, covering lower and middle Indus Basin. (BR) | [Click for more info.](#)

### Sindh govt to facilitate oil and gas exploration

#### Oil & Gas | Neutral

Representatives of oil and gas exploration companies on Friday said that they want to expand their businesses in Sindh provided the government carries out infrastructure development in areas where fields are located. Matters related to petroleum and gas policy were also deliberated. Concessions provided by the exploration companies to the local population were also discussed. The energy minister assured the companies of cooperation and facilitation by the Sindh government. He added that a one window facility was being set up to resolve their issues. (Dawn) | [Click for more info.](#)

### RLNG-related UfG; PD to move ECC against Ogra's 'injustice' to SSGC

#### SSGC | Neutral

The Petroleum Division has decided to approach the Economic Coordination Committee (ECC) against "injustice" of the Oil Gas Regulatory Authority (Ogra) against Sui Southern Gas Company Limited (SSGCL) with respect to RLNG-related UfG. (BR) | [Click for more info.](#)

## Power

### KE plans to invest \$3bn for improving power supply

#### KEL | Positive

K-Electric is working on an investment plan of \$3 billion across the value chain to further improve the reliability of power supply in the next 4 years, the company CEO Moonis Alvi said. (BR) | [Click for more info.](#)

### Discounted power tariff hours for industry under study

#### Power | Neutral

Ministry of Energy's Power Division is working on a proposal to give discounted power tariff hours, ending peak hours and issues/complications related to tariff applicable to the industrial sector. The division is also set to get input from the chief executive officers (CEOs) of all power distribution companies (DISCOs) and other stakeholders soon. (Dawn) | [Click for more info.](#)

### FBR to evaluate imported auto parts on unit basis

#### Autos | Neutral

The Federal Board of Revenue (FBR) has agreed to evaluate imported automotive parts on unit basis for the purpose of charging customs duty and other taxes on these, replacing the current method of clearing the items on the basis of their weight. (Dawn) | [Click for more info.](#)

### World Indices

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US - S&P 500	2,986.2	-11.75	-0.39%
PAK (KSE-100)	33,870.2	-28.41	-0.08%
CHINA - Shanghai	2,938.1	-39.19	-1.32%
PHILP - PSEi	7,885.2	-45.32	-0.57%
HK - Hang Seng	26,719.6	-128.91	-0.48%
US - Dow 30	26,770.2	-255.68	-0.95%

Source: Bloomberg

### Board Meetings

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Source: PSX Announcement



## Autos

**Auto sector ready to face economic slowdown**

**Autos | Negative**

The country's auto sector is prepared to face economic slowdown for at least the next two years, and the existing industry has already made appropriate adjustments. The three top Japanese companies' i.e. M/s Toyota, M/s Honda and M/s Suzuki are facing the brunt of current economic slowdown. For instance, Indus Motors Company, is operating at 40 per cent capacity whereas Honda Atlas is on 50 per cent capacity. Both are also facing shut downs. The third company M/s Suzuki Motors is operating at 70 per cent capacity and is still on two shifts. (BR) | [Click for more info.](#)

**Car import falls 83 percent to \$14.7mln in first quarter**

**Autos | Positive**

Import of used cars witnessed a sharp decline of 83 percent, in terms of value, during the first quarter of the current fiscal year following strict measures introduced by the government to check growing imports. Import of used cars in completely built unit (CBU) condition slid to \$14.69 million during July-September 2019/20 compared with \$87.21 million in the corresponding period of the last year, the Pakistan Bureau of Statistics' (PBS) latest data showed. (The News) | [Click for more info.](#)

## Cement

**Cement sales decline 50pc to 70,000 tonnes per day**

**Cement | Negative**

The sale of cement in the country has declined by more than 50 per cent to almost 70,000 tonnes per day mainly due to the CNIC condition imposed by the Federal Board of Revenue on the sale and purchase of goods worth more than Rs50,000. (PT) | [Click for more info.](#)

Reuters) | [Click for more info.](#)

## Fertilizer

**DAP, urea prices: Importers made windfall profits, govt concedes**

**Fertilizer | Positive**

The government has conceded that there has been a massive increase in the prices of urea and DAP, which shows high profit margin of importers/industries on critical inputs for agriculture production. An official said that increase in the cost of input eventually translates into cost of commodities although the tax on all fertilizer products has been reduced from 17 percent to 2 percent. Sources said that according to Food Ministry, an increase of 36 percent in price of urea was noted in October 2019 as opposed to a year before and DAP was being sold at Rs 3,712 as opposed to what it should have been Rs 3,080 on the basis of DAP price in the international market, higher by Rs 632 per bag. (BR) | [Click for more info.](#)

**SC to hear GIDC case on 22nd**

**Fertilizer, Economy | Neutral**

The Supreme Court of Pakistan on Friday fixed hearing of gas infrastructure development cess (GIDC) case on October 22. A three-judge bench of apex court headed by Justice Musheer Alam and comprising Justice Faisal Arab and Justice Mansoor Ali Shah will hear the case on October 22. (BR) | [Click for more info.](#)

## Textile

**SBP's intervention sought to bankroll tax refund bonds**

**Textile | Neutral**

Traders on Friday urged the central bank needs to ensure acceptance of sales tax refund bonds as collaterals by the banks and financial institutions as this would help them meet financial needs amid liquidity crunch. (The News) | [Click for more info.](#)

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Source: PSX Announcement



## Textile exports slightly increase 2.9pc to 3.4bln in 1Q

### Textile | Positive

Textile exports edged up 2.95 percent year-on-year to \$3.371 billion in the first quarter of the current fiscal year with outbound shipments of knitwear and readymade garments rising in double digits during the period, official data showed on Friday. (The News) | [Click for more info.](#)

## Miscellaneous

### PM directs for optimum use of Evacuee Trust Properties for public welfare projects

#### Economy | Neutral

Prime Minister Imran Khan on Friday directed to remove all legal and administrative hurdles for optimum use of Evacuee Trust Properties for public welfare projects. The prime minister also directed that the income generated from Evacuee Trust Properties must be utilized for development of those provinces where such properties existed. (BR) | [Click for more info.](#)

### China to help in turning Thar coal into diesel

#### Oil, Economy | Positive

China will help Pakistan turn Thar coal into diesel and to this effect, the Pakistan authorities managed to contact Chinese Shenhua Ningxia Coal Industry Group, which is known for turning coal into liquid. (The News) | [Click for more info.](#)

## Political News

### Modi unleashes undeclared war on Pakistan

In an undeclared war against Pakistan started by Narendra Modi-led Indian government, the Indian troops martyred six civilians and a soldier in heavy gunfire and shelling at the Line of Control (LoC). The Pakistan Army killed nine Indian soldiers, injured several others and destroyed two bunkers in a befitting response in Jura, Shahkot and Nousehri sectors, the ISPR said on Sunday. (The News) | [Click for more info.](#)

## International News

### Stocks in Asia Set for Mixed Start; Pound Slips: Markets Wrap

Stocks in Asia headed for a cautious start to the week ahead of a slew of earnings reports, with U.S. equities continuing to flirt with all-time highs. The pound dropped as Boris Johnson's Brexit deal hangs in the balance. (Bloomberg) | [Click for more info.](#)

### Oil prices dip on weak demand outlook, supply concerns

Oil prices eased on Monday amid persistent concerns about the global economic outlook and the impact on oil demand, while Russia again missed its target to cut oil output last month. (Reuters) | [Click for more info.](#)

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Source: PSX Announcement



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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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