



May 7,  
2019

## Economy News

**FATF challenge: Hafeez warns against any complacency**

**Economy | Negative**

Adviser to Prime Minister on Finance Dr Abdul Hafeez Shaikh has directed all stakeholders to work round-the-clock, give highest priority and put great efforts for achieving and surpassing the FATF Action Plan. An official said that the compliance with the FATF action plan is major challenge as well as priority of the government and compliance report regarding progress achieved by Pakistan to curb terrorism financing and money laundering is to be taken up by FATF in the current month. The upcoming meeting of the FATF is very crucial for Pakistan, said the official. | [Click for more info.](#)

**Legal loopholes, low morale expand tax evasion in Pakistan: World Bank**

**Economy | Negative**

The World Bank said tax evasion in Pakistan is pervasive due to low tax morale and legal loopholes that enable high-value individuals to conceal their incomes. "Income tax receipts come from a small number of taxpayers due to generous thresholds for individuals and widespread tax evasion," the World Bank said in a document last month following its study that found half of the country's revenue potential was untapped. | [Click for more info.](#)

**World Bank proposes customs reforms**

**Economy | Neutral**

The World Bank has released 'Governance Notes on Pakistan Customs (PC)' on Monday highlighting three key reforms including enhancement of risk management system (RMS), improving pre- and post-clearance facilities and broadening tax base to enable PC build on its relatively strong base of goods and revenue control capabilities. | [Click for more info.](#)

**IMF wants abolition of Rs700 bn tax exemptions**

**Economy | Negative**

Pakistan and the IMF talks have entered into most critical phase of evolving consensus on number crunching of key economic sectors and required policy actions to strike a staff level agreement. | [Click for more info.](#)

**Bailout package: IMF mission continues discussions**

**Economy | Neutral**

The International Monetary Fund (IMF) continues discussions on the policies and reform that could be the base of a Fund-supported programme. The IMF mission headed by Ernesto Ramirez Rigo was on a scheduled mission from April 29 till May 7 (today) for talks for a bailout package, however sources in the Finance Ministry state that the mission will remain in the country till 10 April. | [Click for more info.](#)

**'Governor Baqir expected to toe IMF's line on exchange, policy rates'**

**Economy | Negative**

A seasoned IMF economist Reza Baqir has to roll up sleeves to balance out free-float exchange rate, neutralise FATF's impact, and bring the economy out of turmoil during his just-starting stint as the central bank's head, financial sector's experts and industrialists said on Monday. | [Click for more info.](#)

**Government intends to borrow Rs 4.7 trillion in May-July**

**Economy | Negative**

The cash-strapped government intends to borrow Rs 4.7 trillion from banking sector during the next three months (May-July) of 2019 for tackling fiscal deficit. The State Bank of Pakistan (SBP) has issued three calendars for the auction of Market Treasury Bills (MTBs), Pakistan Investment Bond (PIBs) Floating Rate and PIBs Fixed Rate. | [Click for more info.](#)

### Pakistan Stock Exchange Overview

	Open	Close	Chg.	%
KSE All	26,537.8	26,232.3	-305.5	-1.2%
KSE100	36,123.0	35,605.4	-517.5	-1.4%
KSE30	17,077.5	16,790.4	-287.1	-1.7%
KMI30	57,879.8	56,659.5	-1220.3	-2.1%

### Top Five Gainers

	Open	Close	Chg.	%
COLG	1,998.0	2,097.0	99.0	5.0%
AGIL	222.8	233.9	11.1	5.0%
ABOT	495.3	504.0	8.6	1.7%
BATA	1,400.0	1,405.0	5.0	0.4%
WYETH	838.3	842.5	4.2	0.5%

### Top Five Volume Leaders

	Open	Close	Chg.	Vol.
MLCF	27.8	26.5	-1.3	6.44
BOP	12.1	11.9	-0.2	5.70
UNITY	12.5	11.7	-0.7	4.19
FCCL	17.9	17.8	-0.1	3.29
UBL	146.3	142.7	-3.6	2.40

### Portfolio Investments – Net Position

FIPI	Buy	Sell	Net
F-Individuals	0.00	-0.01	-0.01
F-Corporates	6.06	-1.70	4.36
O/S Pakistanies	0.66	-0.54	0.12
<b>Net</b>	6.72	-2.26	4.47
<b>LIPI</b>			
Individuals	16.50	-17.50	-1.00
Companies	1.97	-2.94	-0.97
Comm. Banks	0.75	-0.88	-0.13
NBFC	0.02	0.00	0.02
Mutual Funds	0.67	-3.69	-3.03
Other	0.95	-0.40	0.55
Brokers Proprietary	4.03	-3.31	0.71
Insurance	1.25	-1.88	-0.64
<b>Net</b>	26.13	-30.60	-4.47

Source: NCCPL

### Commodity Outlook

	Unit	Close	% chg.
Crude oil	USD/bbl.	62.31	0.1%
Brent oil	USD/bbl.	71.17	-0.1%
Gold	USD/t oz.	1282.47	0.1%
Silver	USD/t oz.	14.91	0.1%
Coal	USD/ton	72.40	0.0%
Steel Scrap (LME)	USD/ton	300.00	-2.3%
Steel Rebar (LME)	USD/ton	471.00	1.1%
USD/PKR	Interbank	141.45	0.0%

Source: Bloomberg/SBP

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

**Research Team**

[research@abaalihabib.com](mailto:research@abaalihabib.com)

Aba Ali Habib Securities (Pvt) Limited

(021) 32429665, Ext. 106



## Oil & Gas

**Final phase of drilling at Kekra-1 continues**

**Oil | Neutral**

At last the drilling at Kekra-1 well in G-bloc, Pakistan's ultra-deep sea has begun after a long pause of over almost 23 days and entered the final phase by reaching the depth of 5,148 meters and will reach at the required depth of 5,460 meters within days. | [Click for more info.](#)

**OGDCL set to focus on shale drilling**

**OGDC | Positive**

Oil and Gas development Company Limited (OGDCL) will focus on exploration of shale oil and tight gas with joint ventures of foreign companies to attract foreign investment, a company official said on Monday. | [Click for more info.](#)

## Power

**Govt vows to end circular debt by 2020**

**IPPs | Positive**

The government has set a target to get rid of the circular debt by December 2020, Prime Minister Imran Khan was told in a meeting held on Monday to ascertain the progress on reforms introduced in the power sector. | [Click for more info.](#)

**Dasu project's revised cost recommended to Ecneec**

**Power | Neutral**

While deferring some projects, including construction of residence for Senate chairman at Ministers' Enclave with estimated sum of Rs195.522 million, the Central Development Working Party (CDWP) on Monday recommended revised cost of Dasu Hydropower Project from Rs486.093 billion to Rs510.980 billion to Ecneec mainly because of escalation of land cost. | [Click for more info.](#)

**LoS issued to two AJK hydropower projects**

**Power | Positive**

The Private Power and Infrastructure Board (PPIB) has approved the issuance of tripartite letter of support (LoS) to two small hydropower projects in Azad Kashmir. The PPIB in a meeting on Monday approved 7.08MW hydropower project located at Ghorli Wala Nullah in Neelum Valley and 8MW Kathai-II hydropower project at Kathai Nullah, Jhelum Valley in Hattian under the 'Power Generation Policy 2015'. | [Click for more info.](#)

## Miscellaneous

**Lakson to cede 21pc shares in Colgate**

**COLG | Positive**

The Lakson Group would cede 21 per cent shares of Colgate-Palmolive Pakistan in favour of the global parent company Colgate-Palmolive, which would make the latter a 51pc holder in the shares of former. | [Click for more info.](#)

**SLIC, HBL sign agreement**

**HBL | Positive**

State Life Insurance Corporation of Pakistan (SLIC) and Habib Bank Limited have signed a Bancassurance / Takaful Distribution Agreement. Under this Agreement, SLIC Bancassurance / Banca Takaful Product will be offered by Habib Bank Limited to existing and potential customers through the bank's widespread distribution channels. | [Click for more info.](#)

### World Indices

	Last	Chg.	Chg. %
US - Dow 30	26,438.5	-66.47	-0.25%
US - S&P 500	2,932.5	-13.17	-0.45%
INDIA - SENSEX	38,600.3	-362.92	-0.93%
INDONESIA - IDX	6,256.4	-63.11	-1.00%
PHILP - PSEi	7,862.3	-105.68	-1.33%
PAK (KSE-100)	35,605.4	-517.53	-1.43%
KSA - Tadawul	9,043.2	-135.74	-1.48%
Taiwan - TWII	10,897.1	-199.18	-1.80%
HK - Hang Seng	29,209.8	-871.73	-2.90%
CHINA - Shanghai	2,906.5	-171.88	-5.58%

Source: Bloomberg

### Board Meetings

Script	Day	Agenda	Time
SASML	FRIDAY	HY A/c Mar-31, MY'19	11:30 AM
HCL	SATURDAY	3QA/c Mar-31, CY'19	9:00 AM

Source: PSX Announcement



## Customs tariff slabs on imported items to be revised in budget

### Economy | Neutral

The government is likely to revise customs tariff slabs on imported items in the upcoming budget (2019-20). Presently, customs tariff slabs are: 3 percent, 11 percent, 16 percent and 20 percent. The rates of 30 percent and above are special rates for auto sector and alcoholic beverages. The edible oil, gold, silver, betel leaves and mobile phones are subjected to the specific rates of duty. | [Click for more info.](#)

## Political News

### Workers to show solidarity with Sharif: Nawaz returns to Kot Lakhpat today

Former Prime Minister Nawaz Sharif, who was granted bail for six weeks by the Supreme Court to afford him an opportunity to get treatment of his choice in the country for his complicated heart and kidney disease, is surrendering before the prison authorities on Tuesday (today). | [Click for more info.](#)

## International News

### Asian Stocks Open Lower as Tariffs to Go Ahead: Markets Wrap

Asian stocks fell with U.S. futures after President Donald Trump's top trade negotiator said the U.S. plans to proceed with a tariff hike on Chinese goods on Friday. The Chinese yuan dipped. | [Click for more info.](#)

### Oil mixed, caught between U.S. sanctions on Iran, Venezuela and trade dispute with China

Oil prices were mixed on Tuesday as U.S. sanctions on oil exporters Iran and Venezuela kept markets on edge while concerns that an escalating Sino-U.S. trade dispute could slow the global economy also kept crude somewhat in check. | [Click for more info.](#)



## Disclaimer

This report has been prepared by Aba Ali Habib Securities and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Aba Ali Habib Securities and/or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Aba Ali Habib Securities accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents.

In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Aba Ali Habib Securities' Research Department and do not necessarily reflect those of the company or its directors. Aba Ali Habib as a firm may have business relationships, including investment- banking relationships, with the companies referred to in this report. Aba Ali Habib Securities or any of its officers, directors, principals, employees, associates, close relatives may act as a market maker in the securities of the subject company, may have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company, may serve or may have served in the past as a director or officer of the subject company, may have received compensation from the subject company for corporate advisory services, brokerage services or underwriting services or may expect to receive or intend to seek compensation from the subject company for the aforesaid services, may have managed or co-managed a public offering, take-over, buyback, delisting offer of securities or various other functions for the subject company.

All rights reserved by Aba Ali Habib Securities. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Aba Ali Habib Securities. Action could be taken for unauthorized reproduction, distribution or publication.

## 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.

## Analyst Certification <sup>AC</sup>

The research Analyst(s) hereby certify that the views about the company/companies and the security/securities discussed in this report accurately reflect his or her or their personal views and that s/he has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendation or views in this report. The analyst(s) is/are principally responsible for preparation of this research report and that s/he or his/her close relative/family member doesn't own 1% or more of a class of common equity securities of the following company/companies covered in this report.

## THE TEAM

### CEO

Zahid Ali Habib  
[Zahid@abaalihabib.com](mailto:Zahid@abaalihabib.com)  
(021) 32425022

### RESEARCH TEAM

**Contact:** (021) 32429665, Ext. 106

Mohammad Zubair - Research Analyst  
[zubair@abaalihabib.com](mailto:zubair@abaalihabib.com)

Zoha Amjad – Research Analyst  
[Zoha.amjad@abaalihabib.com](mailto:Zoha.amjad@abaalihabib.com)

Ayesha Abid – Research Analyst  
[ayesha.abid@abaalihabib.com](mailto:ayesha.abid@abaalihabib.com)

### SALES TEAM

Zaheer Ahmed - Head of Equity Sales & Business Dev.  
[Zaheer.ahmed@abaalihabib.com](mailto:Zaheer.ahmed@abaalihabib.com)  
(021) 32418693-94

Hafsa Kamani- Assistant Manager Equity Sales  
[Hafsa.Kamani@abaalihabib.com](mailto:Hafsa.Kamani@abaalihabib.com)  
(021) 32431925

Syed Khalid Ahmed - Equity Trader  
[Syedkhalid@abaalihabib.com](mailto:Syedkhalid@abaalihabib.com)  
(021) 32429664

Muhammad Faisal - Equity Trader  
[faisal@abaalihabib.com](mailto:faisal@abaalihabib.com)  
(021) 32464835

### Office (PSX Building)

Room # 419, 419 A & 421, 4<sup>th</sup> Floor, Pakistan Stock Exchange, I.I. Chundrigarh Road, Karachi

Contact: 021-32429665

Cell: [+92 3312766771](tel:+923312766771)



[https://twitter.com/Aba\\_Ali\\_Habib](https://twitter.com/Aba_Ali_Habib)



<https://www.facebook.com/aah162>



<https://www.linkedin.com/company/aba-ali-habib-securities/>