

August 29,

## Economy

### Pakistan to Dodge Short-Term Default as Political Turmoil Grows

**Economy | Positive**

Pakistan is poised to evade a near-term default amid expectations the International Monetary Fund will resume its \$6 billion bailout program, but a rally in the nation's assets may fizzle out amid escalating political tensions. Columbia Threadneedle Investments, Tellimer Ltd. and Natixis SA predict Pakistan will win a loan approval from the IMF board when it meets on Monday, paving the way for the release of \$1.2 billion in immediate funds. (Bloomberg) | [Click for more info.](#)

### Pakistan Says It Has Secured Financing Needed for IMF Bailout Economy | Neutral

Pakistan's government in recent weeks has tied up at least \$37 billion in international loans and investments, officials said, pulling the country away from the kind of financial collapse seen in Sri Lanka. The board of the International Monetary Fund is scheduled to meet Monday to consider a bailout deal worked out between IMF staff and Islamabad, under which the lender will provide \$4 billion over the remainder of the current fiscal year, which began July 1. (WSJ) | [Click for more info.](#)

### FATF team to visit Pakistan next month

**Economy | Neutral**

The Onsite Inspection Team of the Financial Action Task Force (FATF) is all set to visit Pakistan in the first week of September to assess rules, regulations, and strengthening of institutional mechanism in order to decide on removing the country from the grey list. (The News) | [Click for more info.](#)

### SBP official defends quick hikes in key policy rate

**Economy | Neutral**

Chief Economist and Research Advisor SBP, Dr Ali Chaudhry has said that the most difficult part is behind us now; the cumulative growth of Pakistan was in double digits in the last two years and the economy was overheating and to handle it, the SBP had to increase the policy rate by 8 percent very quickly and if we compare this move with other countries, SBP responded in a short pace of time. (BR) | [Click for more info.](#)

### PKR's decline continues

**Economy | Negative**

As per the State Bank of Pakistan (SBP), the rupee closed at 220.66 after depreciating Rs1.25 or 0.57%. On a weekly basis, the rupee registered a decline of Rs6.01 or 2.72%. In the open market, the PKR lost 50 paises for both buying and selling against USD, closing at 228 and 230, respectively. (BR) | [Click for more info.](#)

### Steep fall in profits outflow in July

**Economy | Neutral**

The State Bank of Pakistan's latest data showed that the outflow of profits and dividends on foreign investments, mostly foreign direct investment (FDI), in July was just \$16.5 million compared to \$159.2m in the same month last year. (Dawn) | [Click for more info.](#)

### Pakistan Stock Exchange Overview

	Open	Close	Chg.	%
KSE All	29,485.8	29,321.6	-164.1	-0.6%
KSE100	43,032.6	42,591.5	-441.1	-1.0%
KSE30	16,335.0	16,115.1	-219.9	-1.3%
KMI30	71,455.6	70,399.5	-1056.2	-1.5%

### Top Five Gainers

	Open	Close	Chg.	%
BATA	1,985.6	2,110.7	125.1	6.3%
SAPL	1,349.7	1,401.8	52.1	3.9%
SAPT	1,057.0	1,092.0	35.0	3.3%
NESTLE	6,070.0	6,100.0	30.0	0.5%
COLG	2,375.0	2,399.0	24.0	1.0%

### Top Five Volume Leaders

	Open	Close	Chg.	Vol.
KEL	3.4	3.5	0.1	50.62
PRL	18.9	19.1	0.2	16.79
PAEL	16.4	16.7	0.3	13.09
CNERGY	5.6	5.5	-0.1	12.43
WTL	1.3	1.3	0.0	9.88

### Portfolio Investments – Net Position

FIPI	Buy	Sell	Net
F-Individuals	0.05	0.00	0.04
F-Corporates	0.71	-0.27	0.44
O/S Pakistanies	3.65	-3.30	0.36
<b>Net</b>	<b>4.41</b>	<b>-3.57</b>	<b>0.84</b>
LIPI			
Individuals	50.23	-49.96	0.27
Companies	5.44	-4.41	1.03
Comm. Banks	3.77	-1.74	2.03
NBFC	0.02	-0.07	-0.05
Mutual Funds	1.99	-3.32	-1.33
Other	0.72	-0.73	-0.01
Brokers Proprietary	18.17	-18.47	-0.30
Insurance	0.26	-2.74	-2.48
<b>Net</b>	<b>80.60</b>	<b>-81.44</b>	<b>-0.84</b>

### Commodity Outlook

	Unit	Close	% chg.
Crude oil	USD/bbl.	93.06	0.6%
Brent oil	USD/bbl.	100.99	1.7%
Gold	USD/t oz.	1738.14	-1.2%
Silver	USD/t oz.	18.90	-1.8%
Coal	USD/ton	352.00	2.3%
Steel Scrap (LME)	USD/ton	390.00	-0.3%
Steel Rebar (LME)	USD/ton	643.00	-0.3%
USD/PKR	Interbank	6.13	0.2%

News Source: Local / Int'l Newspapers and websites

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MORNING BRIEFING

All major economic indicators deteriorate in first month of current FY

**Economy | Negative**

Apart from exports, all other economic indicators including imports, current account deficit, foreign investment, foreign exchange reserves and inflation rate have deteriorated in July 2022 as compare to same period of the previous year, according to the latest data of the Ministry of Finance. (Nation) | [Click for more info.](#)

**Floods to cause \$4b loss to economy**

**Economy | Negative**

The unusual heavy monsoon rains and flash floods are initially estimated to cost Pakistan's economy over \$4 billion in the current fiscal year as the calamity has badly hurt agricultural activities in Sindh and Balochistan. While it is early to assess the actual impact, Pakistan, where agriculture has a 23% share in gross domestic product (GDP), can remain highly vulnerable in the aftermath of the floods. (ET) | [Click for more info.](#)

**Inflation breaks all records, climbs to 44.58%**

**Economy | Negative**

Inflation measured by the Sensitive Price Index has reached the highest level in the history of the country due to an increase in the prices of petroleum products and disruption in the supply of commodities due to floods and heavy rains. (ET) | [Click for more info.](#)

**Oil & Gas**

**PSO scraps HSFO delivery tenders**

**PSO | Negative**

Pakistan State Oil (PSO) has scrapped tenders for delivery of High Sulphur Furnace Oil (HSFO) cargoes for September 1-15, 2022 due to low upliftment by the power plants, well informed sources told. (BR) | [Click for more info.](#)

**Govt aims to collect Rs91bn thru GST, PL on POL products**

**POL | Neutral**

The federal government may impose General Sales Tax (GST) on all petroleum products with effect from October 1, 2022 to generate revenues amid decreasing oil prices in global market, sources in petroleum division said. (BR) | [Click for more info.](#)

**Optimal use of LNG capacity at terminal-II: Ogra policy opposed by SNGPL**

**Gas, SNGP | Negative**

The Oil and Gas Regulatory Authority (OGRA)'s promotion of gas liberalisation by engaging the private sector to avail additional LNG capacity at terminal-II is constantly opposed by the Sui Northern Gas Pipeline Limited (SNGPL). (BR) | [Click for more info.](#)

**Gas pipeline project; Pakistan, Iran agree to resume talks**

**Gas | Neutral**

Pakistan and Iran have agreed to resume negotiations for implementation of Iran-Pakistan (IP) Gas Pipeline Project, possibility of starting Electronic Financial Messaging System (SEPAM) and achieving barter trade target of \$4 billion. (BR) | [Click for more info.](#)

World Indices			
	Last	Chg.	Chg. %
HK - Hang Seng	20,170.0	201.66	1.01%
KSA - Tadawul	12,591.7	147.97	1.19%
Taiwan - TWII	15,278.4	78.40	0.52%
INDIA - SENSEX	58,833.9	59.15	0.10%
PHILP - PSEI	6,752.5	46.07	0.69%
CHINA - Shanghai	3,236.2	-10.03	-0.31%
INDONESIA - IDX	7,135.3	-38.96	-0.54%
US - S&P 500	4,057.7	-141.46	-3.37%
PAK (KSE-100)	42,591.5	-441.06	-1.02%
US - Dow 30	32,283.4	-1008.38	-3.03%

Board Meetings			
Scrip	Day	Agenda	Time
OCTOPUS	Monday	HY A/c for 30Jun22	10:00 AM
PKG1	Monday	HY A/c for 30Jun22	10:00 AM
SHNI	Monday	HY A/c for 30Jun22	10:00 AM
ATBA	Monday	∇ A/c for the peirod 30Jui	11:00 AM
AVN	Monday	HY A/c for 30Jun22	11:00 AM
ABOT	Monday	HY A/c for 30Jun22	11:30 AM
AICL	Monday	HY A/c for 30Jun22	11:30 AM
PAEL	Monday	HY A/c for 30Jun22	11:30 AM
PABC	Monday	HY A/c for 30Jun22	2:00 PM
INDU	Monday	∇ A/c for the peirod 30Jui	4:00 PM
AGTL	Monday	HY A/c for 30Jun22	4:15 PM
FML	Monday	∇ A/c for the peirod 30Jui	5:00 PM
EMCO	Tuesday	HY A/c for 30Jun22	11:30 AM
RICL	Tuesday	HY A/c for 30Jun22	12:00 PM
HICL	Tuesday	HY A/c for 30Jun22	1:30 PM
AGP	Tuesday	HY A/c for 30Jun22	2:00 PM
EWIC	Tuesday	HY A/c for 30Jun22	2:00 PM
KAPCO	Wednesday	∇ A/c for the peirod 30Jui	10:30 AM
BWHL	Wednesday	∇ A/c for the peirod 30Jui	11:30 AM
AMBL	Wednesday	HY A/c for 30Jun22	12:00 PM
FEROZ	Wednesday	∇ A/c for the peirod 30Jui	12:00 PM
AHL	Wednesday	∇ A/c for the peirod 30Jui	4:00 PM

Source: PSX

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## Islamabad assures LNG bidders of timely payments

**Gas | Neutral**

Pakistan has assured international LNG suppliers of timely payments for their spot cargoes over the next six years through standby letters of credit (SBLCs) to top-ranking international banks. The state-run Pakistan LNG Limited (PLL) has given the assurance to international bidders, seeking 72 cargoes over the next six years (2023-28) at the rate of one cargo per month. (Dawn) | [Click for more info.](#)

## Gas supply to Karachi's general industry suspended

**SSGC | Neutral**

The gas crisis in Karachi persists as the Sui Southern Gas Pipelines Limited (SSGPL) has suspended gas supply to the general industry and captive power plants for 24 hours till 8am on Monday. (BR) | [Click for more info.](#)

## Demand drop builds up huge diesel dead stock

**Oil | Negative**

A major flood-led slump in the consumption of high speed diesel (HSD) has led to the cancellation of two cargoes by the state oil company, owing to a built-up of a huge dead stock, which also forced refineries to scale down their operations significantly. (The News) | [Click for more info.](#)

## Power

### BOP to arrange over Rs 20b for Punjab Thermal Power Project

**BOP, Power | Positive**

A signing ceremony for the award of debt arrangement mandates exceeding PKR 20Bln to The Bank of Punjab (BOP) by Punjab Thermal Power Limited (PTPL) and Energy Department, Government of the Punjab (GoPb), was held on 26th August, '22 at BOP Head office. (Pakobserver) | [Click for more info.](#)

### Thar coal; 2600MW production target to be achieved by next year: Dastgir

**Power | Positive**

Federal Minister for Power Engineer Khurram Dastgir Khan has said that the 2600-MW production target of Thar Coal will be achieved by the next year. (BR) | [Click for more info.](#)

### FCA exemption to cause Rs21bn impact: Miftah

**Power | Neutral**

The government would not charge FCA from electricity consumers using less than 200 units monthly after taking into confidence the International Monetary Fund (IMF) and the World Bank (WB). This was stated by Finance Minister Miftah Ismail while addressing a press conference on Friday. (BR) | [Click for more info.](#)

### Hubco asks CPPA-G to resolve payment 'disparity' issue

**HUBCO | Neutral**

The bitterness between M/s Hubco Power Company (Hubco) and Central Power Purchasing Agency- Guaranteed (CPPA-G) on alleged disparity in allocation of payment to different IPPs is rising with each passing day. (BR) | [Click for more info.](#)

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## Autos

**Automakers fear major dent in rural sales ‘due to floods’**

**Autos | Negative**

After depressed sales in July, auto assemblers paint a gloomy demand scenario in the coming months due to flash floods in various rural parts of the country that have destroyed standing crops and homes of growers. (Dawn) | [Click for more info.](#)

## Cement

**Lucky to buy back 10m shares to improve ‘future financial position’**

**LUCK | Positive**

Lucky Cement Ltd told investors on Friday it wants to buy back up to 10 million of its own shares from the stock market for the purpose of cancellation. (Dawn) | [Click for more info.](#)

## Fertilizer

**Fertilizer offtake falls by 34% YoY in July**

**Fertilizer | Negative**

The country’s overall nutrients offtake fell by 34% to 310,000 tonnes during July 2022 compared to the same month last year, the latest monthly report of fertilizer offtake issued by the National Fertilizer Development Company (NDFC) showed today. (Mettis) | [Click for more info.](#)

## Banks

**Agri-credit target set at Rs1.8 trillion**

**Banks | Neutral**

The State Bank of Pakistan (SBP) has assigned the annual agricultural credit disbursement target of Rs1.8 trillion to the financial institutions for FY23 to cater to the agricultural credit demand in the country. (ET) | [Click for more info.](#)

**Islamic RDAs grew twice as fast as conventional: SBP**

**Banks | Neutral**

Roshan Digital Account (RDA) has received more than \$4.95 billion through 452, 821 accounts of overseas Pakistanis from 175 countries in less than two years and of that total over half of the inflows were recorded in the Islamic banking version, said SBP Deputy Governor. (The News) | [Click for more info.](#)

## Miscellaneous

**Massive hike in power tariff spells trouble for steel industry**

**Steel | Negative**

Massive hikes in the electricity tariff have affected all segments of the society with the steel sector in Sindh’s provincial capital reporting a crisis-like situation due to rapidly rising input costs. (PT) | [Click for more info.](#)

**ADB to help govt attract investment in infrastructure**

**Economy | Neutral**

The Asian Development Bank will provide technical assistance to Pakistan on a grant basis to support the government’s efforts to create an enabling environment for infrastructure financing and public-private partnership at the federal level. (Dawn) | [Click for more info.](#)

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### Irreparable damage to cotton crop

Textile | **Negative**

Due to global warming-induced rainfalls and flooding, the cotton crop has suffered irreparably taking prices of the crop to the highest ever witnessed in Pakistan. The price of quality cotton is Rs24,000 per maund and the price of high-quality Phutti cotton is Rs11,000 to 13,000 per 40kg and the spot rate of Karachi Cotton Association (KCA) is Rs23,000 per maund. (ET) | [Click for more info.](#)

### Price hikes spread food insecurity fears

Economy | **Negative**

Recent flooding coupled with an expected hike in price for raw materials has raised an alarm in the agriculture sector of Pakistan, depicting a bleak picture for the future of food security in the country. Hikes in different input costs such as electricity bills, different phosphorus, and fertilizers remain an additional burden for the farmer community. (ET) | [Click for more info.](#)

## Political News

### Miftah, Jhagra to seek resolution of KP surplus row

In an attempt to avert any possible move to endanger the IMF deal, federal Finance Minister Miftah Ismail will sit down with his Khyber Pakhtunkhwa counterpart on Monday (tomorrow) to resolve differences between the Centre and the province over outstanding issues. (Dawn) | [Click for more info.](#)

### Airspace for US drones; Pakistan rejects Afghan minister's allegations

Pakistan on Sunday categorically rejected the allegation by acting defence minister of Afghanistan regarding use of Pakistan's air space in the US counter-terrorism drone operation in Afghanistan. (BR) | [Click for more info.](#)

## International News

### Powell sees pain ahead as Fed sticks to the fast lane to beat inflation

Americans are headed for a painful period of slow economic growth and possibly rising joblessness as the Federal Reserve raises interest rates to fight high inflation, U.S. central bank chief Jerome Powell warned on Friday in his bluntest language yet about what is in store for the world's biggest economy. (Reuters) | [Click for more info.](#)

### Oil eases at week's open after top central banks warn on rates

Oil eased at the start of the week after leading central banks including the Federal Reserve signaled higher interest rates for longer to quell inflation, jeopardizing the outlook for energy demand. (Bloomberg) | [Click for more info.](#)

### Asian stocks near two-year low as Powell spurs risk-off mood

Asian stocks slumped, with the regional benchmark approaching a two-year low reached mid-July, as investors fled risk assets after the Federal Reserve signaled it will keep raising interest rates to rein in inflation. (Bloomberg) | [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 FCFF based DCF methodology.

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