

January 16, 2023

# Morning Briefing

## Economy

**Plan to turn to friendly countries for additional deposits**

**Economy | Neutral**

The government is considering approaching friendly countries, especially Saudi Arabia, for additional deposits on an immediate basis and to end the 'wait and see' policy. The Saudi authorities are busy 'studying' the possibility of additional deposits amid dwindling foreign exchange reserves. (The News) | [Click for more info.](#)

**SBP likely to hike interest rate by 100-200bps**

**Economy | Negative**

The State Bank of Pakistan is expected to further raise its benchmark interest rate at its January 23 meeting, a brokerage house poll showed on Saturday, as a result of rising inflation and declining foreign exchange reserves. (The News) | [Click for more info.](#)

**Remittances in December down by 19pc**

**Economy | Negative**

The State Bank of Pakistan (SBP) said on Friday that remittances for the month of December 2022 came in at \$ 2 billion, declining 19 per cent over the same month last year. Compared to November, when overseas Pakistanis sent back \$2.1bn, this translates into a decline of 3.2pc. (Dawn) | [Click for more info.](#)

**Pakistan's economy grinding to a halt as dollars dry up**

**Economy | Negative**

Thousands of containers packed with essential food items, raw materials and medical equipment have been held up at Pakistan's Karachi port as the country grapples with a desperate foreign exchange crisis. (BR) | [Click for more info.](#)

**Food inflation reaches 31.75% YoY**

**Economy | Negative**

The trend of the rising prices carried on in the week that ended on January 12 with the inflation rate hitting 0.44% in comparison with the previous seven days and 31.75% on a year-on-year basis. (ET) | [Click for more info.](#)

**Barrick Gold starts work on Reko Diq project**

**Economy | Positive**

The Canada-based Barrick Gold Corporation has formally launched work on the Reko Diq project in Balochistan, the company's head announced on Sunday. (Dawn) | [Click for more info.](#)

**Rupee on slippery slope for next week at least**

**Economy | Neutral**

Rupee would likely lose more ground against the dollar next week as investors remain concerned about rapidly depleting forex reserves and poor progress on reviving the International Monetary Fund (IMF) programme, traders said. In the interbank market this week, the rupee fell 74 paisas against the dollar. It closed at 227.41 on Monday as opposed to 228.15 in the last trading session (Friday). (The News) | [Click for more info.](#)

### Pakistan Stock Exchange Overview

	Open	Close	Chg.	%
KSE All	27,563.9	27,217.4	-346.4	-1.3%
KSE100	40,803.9	40,323.5	-480.4	-1.2%
KSE30	15,097.5	14,896.3	-201.2	-1.3%
KMI30	70,514.6	69,290.1	-1224.5	-1.7%

### Top Five Gainers

	Open	Close	Chg.	%
TICL	222.3	238.9	16.7	7.5%
SURC	143.2	153.9	10.7	7.5%
GLPL	119.9	128.8	8.9	7.4%
AABS	391.9	400.0	8.1	2.1%
MUREB	342.0	348.8	6.8	2.0%

### Top Five Volume Leaders

	Open	Close	Chg.	Vol.
HASCOL	6.3	6.6	0.3	25.15
WTL	1.2	1.1	0.0	21.41
PPL	81.7	76.1	-5.6	12.90
SMBL	1.8	2.1	0.3	9.73
CNERGY	3.9	3.8	-0.1	7.55

### Portfolio Investments – Net Position

FIPI	Buy	Sell	Net
F-Individuals	0.01	0.00	0.01
F-Corporates	0.50	-0.25	0.25
O/S Pakistanies	1.86	-1.79	0.07
<b>Net</b>	<b>2.37</b>	<b>-2.04</b>	<b>0.32</b>
LIPI			
Individuals	17.90	-17.31	0.59
Companies	0.27	-0.87	-0.60
Comm. Banks	1.52	-0.90	0.62
NBFC	0.02	-0.01	0.01
Mutual Funds	2.48	-3.19	-0.70
Other	0.22	-0.26	-0.05
Brokers Proprietary	5.63	-5.35	0.28
Insurance	0.24	-0.72	-0.48
<b>Net</b>	<b>28.29</b>	<b>-28.61</b>	<b>-0.32</b>

### Commodity Outlook

	Unit	Close	% chg.
Crude oil	USD/bbl.	79.86	1.9%
Brent oil	USD/bbl.	85.28	1.7%
Gold	USD/t oz.	1920.23	1.2%
Silver	USD/t oz.	24.26	1.9%
Coal	USD/ton	171.00	0.8%
Steel Scrap (LME)	USD/ton	417.00	-0.2%
Steel Rebar (LME)	USD/ton	687.50	0.4%
USD/PKR	Interbank	6.89	2.3%

News Source: Local / Int'l Newspapers and websites

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## Oil & Gas

**Tal block may sell gas to third party**

**Gas | Positive**

The Economic Coordination Committee (ECC) is likely to allow the joint venture of Tal block to sell gas to third party at a higher price in order to reach an out-of-court settlement. The recoverable reserves in Tal block are estimated at 16.1 billion cubic feet (bcf) of gas but due to litigation, production could not begin at the field. It has not produced gas since 2017 due to the dispute in court. (ET) | [Click for more info.](#)

**Levy on diesel hiked to Rs35/litre under IMF target**

**Oil | Negative**

In order to keep the POL [petrol, oil, lubricants] prices unchanged for the next fortnight, the government jacked up petroleum development levy (PDL) on high-speed diesel (HSD) by Rs2.50 per litre and increased it from Rs32.50 to Rs35 per litre with effect from January 16, 2023. Under the IMF [International Monetary Fund] agreement, the government seeks Rs855 billion through petroleum development levy in the current fiscal year, 2022-23. (The News) | [Click for more info.](#)

**Russian team arrives tomorrow for talks on oil, gas deal, pipeline**

**Oil & Gas | Neutral**

An 80-member Russian delegation is arriving on January 17 to hold three-day bilateral talks under the forum of IGC (Inter-Governmental Commission) on an oil and LNG trade deal for a long-term basis and the much-touted flagship \$3 billion Pakistan Stream Gas Pipeline (PSGP) project, senior officials of the Energy Ministry said. (The News) | [Click for more info.](#)

**FY 2022-23; Ogra determines up to 11.5pc increase in gas prices**

**SSGC, SNGP | Neutral**

The Oil and Gas Regulatory Authority (Ogra) has determined up to 11.5 percent increase in the prescribed price of gas for consumers of both gas companies - the Sui Northern Gas Pipeline Limited (SNGPL) and the Sui Southern Gas Company (SSGC) for the current financial year 2022-23. (BR) | [Click for more info.](#)

**Oil, telecom sectors raise red flags over LCs**

**Oil, Technology | Negative**

The Petroleum Division of the Ministry of Energy on Friday sought urgent intervention of the Ministry of Finance (MoF) and the State Bank of Pakistan (SBP) to arrange the opening of letters of credit (LCs) for fuel imports after the entire industry, including oil marketing companies and refineries, raised red flags over looming supply disruption. Similarly, the telecommunication industry, in a letter to the IT ministry, expressed apprehensions over banks' refusal to open LCs for the telecom companies. (Dawn) | [Click for more info.](#)

## Power

**ECC approves payment of mark-up on Heavy Electrical Complex loans**

**Power | Positive**

The Economic Coordination Committee (ECC) of the Cabinet has approved Rs80.988 million mark-up payment of Heavy Electrical Complex (HEC) as it was told that failure to pay the amount to the Bank of Khyber (BoK) could potentially jeopardize its privatization process once again. (BR) | [Click for more info.](#)

### World Indices

	Last	Chg.	Chg. %
INDIA - SENSEX	60,261.2	303.15	0.51%
HK - Hang Seng	21,738.7	224.56	1.04%
PHILP - PSEi	6,951.5	118.01	1.73%
US - Dow 30	34,302.6	112.64	0.33%
Taiwan - TWII	14,824.1	92.49	0.63%
CHINA - Shanghai	3,195.3	31.86	1.01%
US - S&P 500	3,999.1	15.92	0.40%
INDONESIA - IDX	6,641.8	11.90	0.18%
KSA - Tadawul	10,726.9	-17.35	-0.16%
PAK (KSE-100)	40,323.5	-480.44	-1.18%

### Board Meetings

Scrip	Day	Agenda	Time
HASCOL	Monday	Other Matters	2:00 PM
UNITY	Friday	Annual	10:00 AM
DATM	Friday	Annual	11:00 AM
NML	Friday	Other Matters	11:00 AM
IDYM	Friday	1st Quarter	3:00 PM

Source: PSX

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**K-Electric's claims of Rs375bn against govt questioned****KEL | Neutral**

A former member of the board of directors of K-Electric has raised serious questions over the integrity of financial results and alleged illegitimate build-up of more than Rs375 billion claims by the Karachi-based power utility against the federal government. (Dawn) | [Click for more info.](#)

**EPQL power generation; PPIB seeks analysis on minimum price of PEL gas****EPQL | Neutral**

The Private Power & Infrastructure Board (PPIB) has sought a detailed analysis regarding minimum possible price of Pakistan Exploration Limited (PEL) gas for power generation by Engro Power Gen Qadirpur Ltd (EPQL) as its tariff will not be economical at 70 per cent RLNG, sources close to Managing Director PPIB told. (BR) | [Click for more info.](#)

**Nepra okays up to Rs4.46 per unit hike in tariff for Karachi****KEL | Negative**

The National Electric Power Regulatory Authority (Nepra) on Friday allowed the energy ministry to increase electricity rates by about Rs3.30 per unit for Karachi-based consumers for three months to ensure a national uniform tariff and reduce government subsidy payable to K-Electric. The increase in tariff would range between Rs1.49 and Rs4.46 per unit for various consumer categories. The increase comes a day after the regulator notified Rs7.43 per unit cut in monthly fuel cost adjustment for the current month. (Dawn) | [Click for more info.](#)

**Power sector reforms; WB urges govt to expedite EDEIP****Power | Neutral**

The World Bank has urged the government to expedite implementation of Electricity Distribution Efficiency Improvement Project (EDEIP) as per agreed timelines as power sector reforms are integral to this operation and a significant amount of the loan. (BR) | [Click for more info.](#)

**Autos****Indus Motor delivers up to Rs1.2m price hike****INDU | Neutral**

Despite a 30-59 per cent drop in sales of various models due to unfavourable economic conditions that led to plant closure from Dec 20-30, 2022, Indus Motor Company (IMC) has surprised its buyers by jacking up the prices by Rs280,000 to Rs1.2 million. (Dawn) | [Click for more info.](#)

**Pak Suzuki extends plant shutdown by another week****PSMC | Negative**

Pak Suzuki Motor Company (PSMC) on Friday announced to extend shutdown of its automobile plant till January 20 on the back of inventory shortages. (The News) | [Click for more info.](#)

**At least 300 tractors parts SME units shut amidst total crash in demand****AGTL, MTL | Negative**

At least 300 tractors parts manufacturing SMEs have been forced to shut their units amidst a total crash in tractors' demand along with a severe liquidity crunch following the suspension of refunds by the Federal Board of Revenue to tractor assemblers, which was due for a long time. (Nation) | [Click for more info.](#)

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## Banks

**SBP issues 5 licences to establish digital banks****Banks | Positive**

The State Bank of Pakistan (SBP) on Friday granted five licenses for digital banking, in an effort to promote financial inclusion and encourage digital financial services in the country, a statement said. Easy Paisa DB (Telenor Pakistan B.V & Ali Pay Holding Ltd.); Hugo Bank (Getz Bros & Co., Atlas Consolidated Pte. Ltd. and M & P Pakistan Pvt. Ltd.); KT Bank (Kuda Technologies Ltd., Fatima Fertilizer Ltd. and City School Pvt. Ltd (Kuwait Investment Authority through – PKIC and Enertech Holding Co.). (The News) | [Click for more info.](#)

**Systemic risk lurks ahead, says Habib Bank CEO****Banks | Neutral**

The banking sector will be exposed to a “systemic risk” should the prevailing uncertainty continue for another few months, Habib Bank Ltd CEO Muhammad Aurangzeb said on Friday. CEO of the largest commercial bank warned the participants about a “big blow to the economy” if the stakeholders didn’t make the right decisions swiftly. (Dawn) | [Click for more info.](#)

## Technology

**Special foreign currency accounts; SBP allows IT exporters to retain 35pc of proceeds****Technology | Positive**

In order to encourage IT companies and freelancers to bring their foreign exchange earnings into the country, the State Bank of Pakistan (SBP) has advised the banks to mandatorily allow retention of 35 percent of their export proceeds in special foreign currency accounts. (BR) | [Click for more info.](#)

## Miscellaneous

**Local startup exits tripled in 2022****Economy | Neutral**

In a major milestone for the Pakistani startup ecosystem, the country witnessed a significant increase in exits in 2022, with the number tripling compared to the total number in the last five years, according to MAGNITT. (ET) | [Click for more info.](#)

**Import restrictions hinder smooth process of future export orders****Textile | Negative**

Pakistan Hosiery Manufacturers & Exporters Association (PHMA) has lamented that the import restriction by the State Bank of Pakistan would hinder the smooth process of future export orders, leading to declining foreign inflows amidst depleting foreign exchange reserves which are presently at the lowest ebb in the country. (Nation) | [Click for more info.](#)

**Production halts continue****BECO, SPL | Negative**

Another two publicly traded companies announced on Friday they’re shutting down operations temporarily while a third one said it’s extending its ongoing production suspension for another week. (Dawn) | [Click for more info.](#)

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MORNING BRIEFING

## Political News

### PTI to go for 'PM confidence vote' if MQM changes sides

After successfully managing vote of confidence in Punjab provincial assembly against its chief minister, Pakistan Tehreek-e-Insaf (PTI) is contemplating upon asking Prime Minister Shehbaz Sharif to take a vote of confidence from parliament if Muttahida Qaumi Movement-Pakistan (MQM-P) decides to part ways with the ruling coalition in the centre. (BR) | [Click for more info.](#)

### Caretaker setup in Punjab; Ex-judge or bureaucrat likely to become CM

The process for the appointment of caretaker chief minister Punjab has reportedly started as the former ruling coalition and opposition are said to be considering different names to finalise a pick for the coveted slot. In this connection, the former provincial ruling coalition comprising of Pakistan Tehreek-e-Insaf (PTI) and Pakistan Muslim League Quaid (PML-Q) have started considering different candidates, reports surfaced on Sunday. (BR) | [Click for more info.](#)

### CM to move summary for KP assembly dissolution tomorrow

Following the dissolution of the Punjab Assembly on Saturday, Khyber Pakhtunkhwa Chief Minister Mahmood Khan also promised to dissolve the KP provincial assembly, saying a summary to this effect would be sent to KP Governor Ghulam Ali on Tuesday. (Dawn) | [Click for more info.](#)

### 'Peaceful' Sindh local polls marred by 'low turnout'

After a long delay, local government elections in Karachi and Hyderabad were finally held on Sunday with people casting votes to elect their representatives. Unofficial results from Hyderabad put the Pakistan Peoples Party (PPP) in pole position on the majority of seats. However, till midnight, there was no clear word as to who was leading the polls in Karachi. (Dawn) | [Click for more info.](#)

## International News

### US may need 'extraordinary' steps to avoid default: Yellen

The United States may need to take "extraordinary measures" to prevent a default on its debt as early as next week, when it is projected to hit the borrowing limit currently set by Congress, Treasury Secretary Janet Yellen warned Friday. (BR) | [Click for more info.](#)

### Asian Equities Climb in Wake of Wall Street Rally: Markets Wrap

Asian shares started the week higher with a tailwind from US stocks closing at the highest in a month as easing inflation expectations fuel January's global share rally. (Bloomberg) | [Click for more info.](#)

### Oil dips, but hovers near 2023 highs on China demand optimism

Oil prices dipped in early Asian trade on Monday, but held close to the highest levels since the start of the year on optimism that China's reopening will lift fuel demand at the world's top crude importer. (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 FCFF based DCF methodology.

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