Morning Briefing

Jun 06, 2022

Market Summary

Index Level	03-Jun	1d Δ	1m Δ	3m Δ	6m Δ	12m Δ
KSE 30	15,734	-2.3%	-9.1%	-9.7%	-5.9%	-19.9%
KSE 100	41,315	-2.2%	-8.7%	-7.3%	-4.4%	-14.3%
KSE All Share	28,470	-1.6%	-7.5%	-7.3%	-3.9%	-12.6%

	Volume (mn shares)			Value (PKR mn)		
	1d	1m Avg.	6m Avg.	1d	1m Avg.	6m Avg.
KSE 30	67	75	60	3,797	4,362	4,327
KSE 100	130	113	102	4,786	5,345	5,366
KSE All Share	225	245	242	5,953	7,158	7,488

Portfolio investment (USD mn)

	03-Jun	1m	3m	6m	12m	CYTD
FIPI Net	1.8	(11.0)	(39.6)	(62.0)	(313.2)	(36.9)
LIPI Net	(1.8)	11.0	39.6	62.0	313.2	36.9
Ind.	3.2	11.6	64.0	87.3	177.0	70.5
Banks/DFIs	(1.5)	29.6	49.5	65.3	116.3	75.5
Co's	0.8	4.8	16.2	38.2	105.7	33.2
M.Funds	(0.7)	(23.6)	(66.5)	(100.3)	(119.2)	(109.5)
Brokers	(0.3)	4.3	(0.8)	(1.4)	(19.9)	(4.8)
Others	(0.1)	2.3	13.0	14.2	59.9	13.2
Ins.	(3.1)	(17.0)	(35.8)	(41.6)	(11.8)	(41.3)
NBFC	(0.0)	(0.8)	0.1	0.4	5.3	0.2

Sector wise FIPI LIPI (USD mr	FIPI	Ind.	Banks	M.Funds	Ins.	Other
Gross Buy	3.9	28.1	1.2	2.2	0.3	11.0
Gross Sell	(2.1)	(25.0)	(2.6)	(2.9)	(3.4)	(10.7)
All other Sectors	1.2	0.6	0.1	(0.8)	(0.6)	(0.4)
Cement	(0.0)	0.7	0.2	(0.4)	(0.5)	0.1
Commercial Banks	0.0	0.5	(1.2)	(0.4)	0.0	1.1
Fertilizer	(0.0)	0.1	0.0	0.1	0.0	(0.2)
Food and Personal Care	0.0	0.1	(0.1)	0.0	(0.0)	(0.0)
E&P Companies	0.2	0.3	(0.2)	0.2	(0.5)	0.1
OMC	0.2	0.4	(0.0)	0.1	(0.7)	(0.1)
Power Generation	0.1	0.4	(0.3)	0.6	(0.8)	0.0
Technology and Comm.	0.1	0.2	0.0	(0.2)	0.0	(0.2)
Textile Composite	0.0	(0.1)	0.1	0.1	0.0	(0.0)
Total	1.8	3.2	(1.5)	(0.7)	(3.1)	0.3

Commodities

	US$	1d Δ	1m Δ	3m Δ	6m Δ	12m Δ
WTI (bbl)	119.8	0.7%	9.1%	3.5%	80.7%	72.0%
Brent (bbl)	120.6	0.7%	7.3%	2.1%	72.6%	67.8%
Arab Light (bbl)	118.7	0.0%	-0.9%	-1.6%	61.3%	66.2%
Coal (ton)	324.8	0.0%	4.4%	-22.4%	151.3%	192.6%
Urea (ton)	690.0	0.0%	-4.8%	19.0%	-28.1%	74.7%
DAP (ton)	780.0	0.0%	-10.3%	-12.8%	4.0%	32.2%
PVC (*ton)	1,350.0	0.0%	-6.3%	-4.3%	-12.9%	-0.7%
Ethylene (lb)	1,155.0	0.0%	-7.2%	-8.7%	11.6%	19.1%
Gold (t oz)	1,855.9	0.3%	-1.5%	-5.8%	4.1%	-1.9%
Cotton (lb)	118.4	0.4%	-4.3%	17.6%	34.9%	51.9%
Copper (lb)	441.1	-1.4%	3.4%	-10.2%	3.7%	-2.9%
Steel (ton)	1,155.0	0.0%	-16.2%	-1.7%	-28.5%	-30.1%
Skim Milk Powder (ton)	4,115.8	-2.0%	-3.3%	-10.7%	10.9%	14.3%
Rubber (kg)	168.5	0.1%	5.6%	-4.6%	-2.9%	1.0%
Iron (ton)	144.0	0.0%	5.2%	-5.4%	41.9%	-30.2%

Foreign Exchange

	Rate	1d	1m	3m	6m	12m
PKR/USD	199.13	0.0%	7.3%	12.0%	13.3%	28.8%
PKR/GBP	248.13	0.0%	7.8%	4.6%	5.4%	13.5%
PKR/EUR	212.30	0.0%	7.7%	8.2%	5.9%	13.0%
PKR/JPY	1.51	0.0%	6.1%	-1.9%	-3.3%	7.4%

Interest rates (change in bps)

	Rate %	1d Δ	1m Δ	3m Δ	6m Δ	12m Δ
PKRV 1 YR	15.5	0.0	96.0	442.0	399.0	786.0
PKRV 3 YR	13.8	0.0	51.0	268.0	190.0	489.0
PKRV 5 YR	12.8	0.0	18.0	162.0	87.0	344.0
PKRV 10 YR	12.8	0.0	(19.0)	154.0	75.0	285.0

Board Meetings

Company	Date	Time	Company	Date	Time
F irst Habib Modaraba (FHAM)	6-Jun-22	12:00 PM			
Habib Metro Modaraba(HMM)	6-Jun-22	12:00 PM			
Cordoba Logistics(CLVL)	6-Jun-22	11:00 AM			

Regional markets

	Rate	1d Δ	1m Δ	3m Δ	6m Δ	12m Δ
SHCOMP- China**	3,229	1.0%	7.6%	-6.3%	-10.5%	-10.1%
SENSEX- India*	55,471	-0.5%	1.2%	2.1%	-3.9%	6.5%
NIKKEI- Japan**	27,940	6.5%	3.5%	7.5%	-0.3%	-3.5%
DJIA- USA*	32,900	0.0%	0.0%	-2.1%	-4.9%	-5.3%
Heng seng- HK**	21,313	1.1%	6.6%	-2.7%	-10.3%	-26.3%

* Reading as of last day closing

** Real time reading

Source: Bloomberg, PSX, NCCPL, Next Research

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International

Oil jumps after Saudi Arabia hikes crude prices (Investing.com): Oil prices rose more than $2 in early trade on Monday after Saudi Arabia raised prices sharply for its crude sales in July, an indicator of how tight supply is even after OPEC+ agreed to accelerate its output increases over the next two months. Brent crude futures were up $1.80, or 1.5%, at $121.52 a barrel at 2319 GMT after touching an intraday high of $121.95, extending a 1.8% gain from Friday. U.S. West Texas Intermediate (WTI) crude futures were up $1.63, or 1.4%, at $120.50 a barrel after hitting a three-month high of $120.99. The contract gained 1.7% on Friday. Saudi Arabia raised the official selling price (OSP) for its flagship Arab light crude to Asia to a $6.50 premium versus the average of the Oman and Dubai benchmarks, up from a premium of $4.40 in June, state oil produce Aramco (TADAWUL:2222) said on Sunday. **(Negative)**

Politcal

Economy: PM for 'grand dialogue' (Brecorder): Prime Minister Shehbaz Sharif has called for a 'grand dialogue' between all stakeholders over vital sectors of the economy for progress and prosperity of the nation. While addressing an inauguration ceremony of Indus hospital in the provincial metropolis here on Sunday, the prime minister said that a consensus should be developed over the national economy in such a manner that it should not be disturbed with change of governments. He opined that there were certain sectors of the economy like IT and industrialization through which the country could move ahead. The prime minister underlined that they should think above themselves and their personal likes and dislikes and accord top priority to the progress and prosperity of the nation. The prime minister maintained that no country could survive on debts. **(Neutral)**

PTI rejects PM's offer (Brecorder): Pakistan Tehreek-e-Insaf (PTI) on Sunday rejected Prime Minister Shehbaz Sharif's offer of a 'grand dialogue' between all stakeholders over vital sectors of economy, saying "there will be no talks with an imported government which has no legitimacy". Briefing journalists after a meeting of PTI's core committee chaired by party chairman Imran Khan which took place at Bani Gala, PTI vice chairman Shah Mehmood Qureshi said that there is no point of holding talks with what he called 'an illegitimate government' on any issue including economy. "Why this 'ported government's so helpless. If our agreements with IMF (International Monetary Fund) were not good, why you don't hold talks with IMF, as staff level talks are yet to take place," he questioned. **(Negative)**

Economy

Pakistan to repay $23bn foreign debt in next fiscal year (The News): Pakistan's total foreign debt servicing is projected to climb up to $23 billion for the upcoming budget 2022-23 as repayment of commercial loans has now assumed a major chunk of the outstanding amount of $6 billion out of the total obligations. In an alarming development, the country will have to repay on account of amortization and mark-up amount owed by the public sector alone to the tune of $49.23 billion over the next five years period from 2022-23 to 2026-27. For outgoing fiscal year 2021-22, it is projected that total debt servicing requirements both in shape of principal and markup would be standing at $12.4 billion for whole fiscal year and so far the government paid out $6.253 billion repayments in first eight months till Feb 2022. **(Neutral)**

Cabinet approves terms for $2.4bn loan from China (The News): The Finance Ministry has obtained approval from the federal cabinet for a syndicated loan facility of $2.4 billion from the China Development Bank and its consortium for a three-year period at six-month SHIBOR (Shanghai Inter-Bank Offered Rates) plus 1.5 percent margin. The rate was reduced by one percent as compared to the previous facility. According to a summary moved by the Finance Ministry, the China Development Bank has agreed to extend RMB 15 billion facility and ($2.4 billion) for a three-year period at six-month SHIBOR plus 1.50 percent margin. This facility was earlier extended in March 2019 and matured on March 24, 2022. The Chinese side has reduced the margin by one percent as compared to the previous facility. The draft Facility Agreement shared by the China Development Bank was forwarded to the Ministry of Law and Justice and the Office of the Attorney General for Pakistan for vetting and clearance in the light of the cabinet decision dated May 14, 2019. **(Positive)**

Pakistan's shadow economy accounts for 40pc of GDP (Dawn): As the authorities and key government figures have been drawing attention to the economic losses

due to illegal trade, the country's shadow economy accounts for about 40 per cent of GDP, while 6pc of the gross domestic product is being stolen every year, according to a study on tax evasion in five sectors, including tea, tobacco, tyres & auto lubricants, pharmaceuticals, and real estate. The study conducted by the IPSOS—a global leader in market research—terms 6pc of the GDP being stolen, a significant amount of money that can be used to improve the living standards of the people by developing Pakistan's economy on a sound basis. It states the annual volume of tax evasion in these five sectors is around Rs310 billion, including Rs35bn from the illicit trade in tea; Rs80bn from tobacco; Rs90bn from tyres and lubricants; Rs45bn from medicines; and Rs60bn annually from the real estate sector. **(Neutral)**

SBP injects Rs1tr into open market (Tribune): The State Bank of Pakistan (SBP) has supplied over Rs1 trillion to the conventional and Shariah-compliant commercial banks for an unusual longer period of 63 days for the second time in one week to push them to bring down the interest rate on financing for the government. The overall injections came in at Rs2.07 trillion including the regular money supply for the seven-day open market operation (injection) on Wednesday. The central bank has conducted back-to-back 63-day OMO (injection) after commercial banks further increased the interest rate by up to 75 basis points (bps) to 15.25% on new financing for the government on Wednesday (June 1). **(Neutral)**

Ogra raises gas prices up to 45pc (Brecorder): The Ministry of Finance said on Monday that the inflation rate would stay in double digits for the second consecutive month in December but it remained shy of giving a number ahead of approval of a highly inflationary mini-budget. The low base effect may contribute to keep inflation rate of December in double digit," said the Ministry of Finance in its monthly economic outlook report for December. However, for the first time, the ministry did not give a projection and only said that "inflation is expected to remain in double digit in December but slightly less than the last month's number". In November, the inflation rate had soared to 11.5% due to the government's decision to increase prices of commodities, electricity, fuel and the central bank's reckless policy to let the rupee depreciate. **(Neutral)**

Ogra raises gas prices up to 45pc (Brecorder): The Oil and Gas Regulatory Authority (Ogra) has allowed late Friday night a raise in gas prices up to 45 percent in order to meet the revenue shortfall of both gas utilities - SNGPL and SSGC. In its decisions, the regulator has allowed the SNGPL an increase of 45 percent. The gas company had demanded a 198 percent increase in gas tariff. The financial impact of previous years' shortfall of Rs 264.8 billion which accounted for Rs 720.20 per MMBtu was referred to the federal government for an appropriate policy decision and is therefore not made part of the instant determination. The regulator has also allowed SSGC to increase gas price by 44 percent in order to meet revenue shortfall for year 2022-23. The gas company had called for an increase of 45 percent in gas price. Through this determination, the Ogra has requested the federal government for advice on category-wise sale prices. **(Negative)**

Gross refinery margins rise to $37/bbl in May (The News): The gross refinery margins (GRMs) of the oil industry have risen sharply to $37/barrel in May 2022 against $24/barrel in April of this year, the latest data showed. Though the GRMs for the local refining sector may seem strong in May, the annual margins are however hovering around $10-12/barrel, which are anything but robust. "May's GRMs look appealing but the overall average GRMs for the entire year didn't surprise on the upside," said Zahid Meer, Chief Executive Officer Pakistan Refinery Limited (PRL), while talking to The News. "Whatever profit is earned from high GRMs is not utilised by refineries but goes to a reserve fund under a government policy." Also, Meer said, this profit couldn't be utilised for offsetting previous years' losses and were not given out in dividends beyond ten percent. **(Positive)**

Water shortages may shrink rice crop in FY2023 (The News): Water scarcity has emerged as the single biggest factor that may shrivel the paddy crop in fiscal year 2022-23 as the sowing area is shrinking. The likely dent in production of rice, however, may not fundamentally disturb demand and supply scenario during 2022-23 fiscal year as such given the availability of huge exportable surplus every year. As rice, the second important cereal crop of the country after wheat, is not a staple diet in this part of the world, Pakistan used to harvest about 60 percent surplus produce every year. One of the worrying factors for inflation-hit consumers is said to be higher rice prices in the next fiscal year. The price of Basmati and coarse varieties is already going through the roof with Rs40/kg surge recorded in a single day this week in official prices notified by the administration. **(Negative)**

Rs5/unit relief on electricity bills may end next month (Brecorder): The government is likely to withdraw subsidy of Rs.5 per unit from June 1, 2022 extended to electricity consumers using 700 units monthly across the country sans ToU (Time of Use) meters, under former Prime Minister Imran Khan's Relief Package on the pressure of International Monetary Fund (IMF) and World Bank, well informed sources told Business Recorder. Sharing the details, sources said, on a summary for the ECC submitted by Power Division, the ECC of the Cabinet, on March 7, 2022, approved a relief of Rs 5. KWh reduction in electricity bills for Discos and K-Electric's commercial consumers having sanctioned load less than 5 kW and domestic non-ToU consumers having monthly consumption up to 700 units for a period of four months - from March to June 2022. Moreover, ECC of the Cabinet approved a supplementary grant of Rs 106 billion divided into four monthly instalments (Rs 26.5 billion each) to be released at the beginning of each month. The relief package was notified in terms of Section 31 (7) of Regulation of Generation, Transmission and Distribution of Electric Power Act (NEPRA Act) 1997. The package was extended to the eligible consumers for the months of March-May 2022 and, accordingly, Finance Division released Rs 39.75 billion only against Tariff Differential Subsidy (TDS) requirement of Rs 79.5 billion and the consumers have already availed the said relief in monthly bills of March, April and May 2022. **(Negative)**

MNCs demand lower rate of minimum tax (Dawn): Multinationals operating in the country have asked Finance Minister Miftah Ismail to gradually reduce the general rate of minimum tax to 0.25 per cent from the existing 1.25pc. In a letter to the minister for finance and revenue ahead of the national budget announcement due next week, the Overseas Investors Chamber of Commerce and Industry (OICCI) demanded that the reduced rate should be applicable to gross profit instead of sales for oil marketing companies, refineries, LNG terminal operators, large chemical companies, authorised dealers of local vehicle manufacturers, distributors and traders — businesses that usually have high turnover and low margins. **(Neutral)**

Sector / Company

Auto sector fears production shutdown amid import curbs (Dawn): The introduction of a mechanism for prior approval from the State Bank of Pakistan (SBP) for the import of goods has created hurdles in the arrival of completely knocked down (CKD) kits of vehicles and all major

auto sector imports. The delay in processing approvals for CKD kits import transactions would lead to a production shutdown for all major assemblers in the next week besides disrupting the entire supply chain including local vendors and dealers and leading to unemployment of contract and daily wage workers. Director-General Pak-istan Automotive Manuf-acturers Association (PAMA), Abdul Waheed Khan informed SBP Governor Dr Murtaza Syed on Friday that the delay in payments gives an adverse impression to foreign suppliers and creates a huge business risk for beneficiaries for exporting goods to Pakistan which would adversely impact the auto sector in the long term. The weekly foreign payments for import of HS code 8703 category CKD for motor vehicles are insignificant. This measure seems to have delayed weekly foreign payments of a maximum of $25 million. However, any further delay may result in a hit of $80m to the economy and a loss of $30m to the national exchequer every week along with creating unemployment. **(Negative)**

Rs113bn impact to be shifted to KE consumers by way of surcharge (Brecorder): Power Division and Finance Division have reportedly evolved consensus to pass on Quarterly Tariff Adjustment (QTA) notification impact of Rs 113.1 billion to the consumers of K-Electric (KE) by way of surcharge of Rs 2.35/ unit to be recovered in three years, well informed sources told Business Recorder. This proposal has been prepared in terms of section 31 sub-section 8 of NEPRA Act, so the need for government subsidies is minimized, with a view that principle of equity between consumer of Discos and K-Electric may remain intact. Power Division has also proposed that it may be authorized to file a motion before NEPRA for incorporation of proposal A above in the Schedule of Tariff (SoT) of NEPRA determination of November 05. 2021. NEPRA may be requested to issue revised SoT for KE with prospective application of applicable uniform rates after incorporating the proposal to notify in the official gazette by way of modification in SRO Nos.1429(1) 2021, 192(1)/2021, 1037(1)2020 and 575(1) 2019. Further upon such notification, K-Electric may be directed that such surcharge collected shall be omitted to CPPA-G immediately to reduce the large outstanding payable. Both these proposals have also been supported by the Finance Ministry. **(Negative)**