Morning Briefing

Jun 13, 2022

Market Summary

Index Level	10-Jun	1d Δ	1m Δ	3m Δ	6m Δ	12m Δ
KSE 30	16,065	0.7%	-1.5%	-5.4%	-4.9%	-17.5%
KSE 100	42,015	0.7%	-2.1%	-3.8%	-3.2%	-13.0%
KSE All Share	28,842	0.7%	-1.2%	-3.8%	-3.1%	-11.8%

	Volume (mn shares)			Value (PKR mn)		
	1d	1m Avg.	6m Avg.	1d	1m Avg.	6m Avg.
KSE 30	22	70	60	1,453	3,997	4,254
KSE 100	39	106	101	2,056	4,964	5,286
KSE All Share	116	235	241	3,068	6,647	7,374

Portfolio investment (USD mn)

	10-Jun	1m	3m	6m	12m	CYTD
FIPI Net	(0.7)	(15.7)	(44.7)	(68.4)	(314.3)	(43.9)
LIPI Net	0.7	15.7	44.7	68.4	314.3	43.9
Ind.	(0.2)	16.8	57.9	80.4	172.7	69.1
Banks/DFIs	0.6	15.5	45.3	63.5	126.5	77.7
Co's	0.7	16.0	24.5	47.9	119.0	41.9
M.Funds	(0.4)	(19.4)	(58.6)	(92.6)	(142.6)	(111.4)
Brokers	0.1	0.6	(4.8)	(4.3)	(21.9)	(7.0)
Others	0.0	3.0	15.9	15.8	61.3	15.8
Ins.	0.1	(16.4)	(35.4)	(42.5)	(5.6)	(42.1)
NBFC	(0.1)	(0.5)	(0.1)	0.1	4.9	0.0

Sector wise FIPI LIPI (USD mr	FIPI	Ind.	Banks	M.Funds	Ins.	Other
Gross Buy	1.1	14.8	1.2	0.5	0.4	4.2
Gross Sell	(1.8)	(15.0)	(0.6)	(0.9)	(0.3)	(3.5)
All other Sectors	(0.1)	(0.1)	0.0	(0.2)	0.2	0.2
Cement	(0.1)	(0.2)	0.1	(0.3)	(0.0)	0.5
Commercial Banks	(0.3)	0.1	0.3	0.1	0.0	(0.2)
Fertilizer	0.0	(0.0)	0.0	(0.0)	0.0	0.0
Food and Personal Care	(0.0)	0.0	0.0	0.0	(0.0)	0.0
E&P Companies	0.0	(0.0)	(0.0)	(0.0)	(0.0)	0.1
OMC	(0.1)	(0.1)	0.2	0.0	(0.0)	(0.0)
Power Generation	(0.0)	0.1	(0.1)	0.0	0.0	0.0
Technology and Comm.	(0.2)	0.1	0.1	(0.0)	0.0	0.0
Textile Composite	(0.0)	(0.0)	0.0	0.0	0.0	(0.0)
Total	(0.7)	(0.2)	0.6	(0.4)	0.1	0.7

Commodities

	US$	1d Δ	1m Δ	3m Δ	6m Δ	12m Δ
WTI (bbl)	118.9	-1.5%	7.6%	8.7%	65.9%	67.7%
Brent (bbl)	120.3	-1.4%	7.8%	6.8%	60.1%	65.5%
Arab Light (bbl)	125.5	0.0%	5.6%	6.7%	65.9%	73.2%
Coal (ton)	313.0	0.0%	-3.4%	-17.5%	131.2%	171.2%
Urea (ton)	690.0	0.0%	-4.8%	-24.2%	-28.1%	53.3%
DAP (ton)	795.0	0.0%	-7.6%	-18.5%	6.0%	31.4%
PVC (*ton)	1,320.0	0.0%	-8.3%	-8.3%	-13.7%	-2.9%
Ethylene (lb)	1,155.0	0.0%	-5.7%	-14.8%	11.6%	26.2%
Gold (t oz)	1,863.0	-0.5%	2.8%	-6.3%	4.5%	-0.8%
Cotton (lb)	121.7	-0.5%	-4.9%	16.7%	35.6%	52.4%
Copper (lb)	425.6	-0.9%	1.9%	-7.9%	-0.4%	-6.5%
Steel (ton)	1,160.0	0.0%	-16.1%	3.1%	-27.8%	-29.6%
Skim Milk Powder (ton)	4,239.8	-2.1%	-0.4%	-8.0%	13.8%	17.8%
Rubber (kg)	163.0	-2.6%	2.4%	-8.2%	-4.6%	-0.3%
Iron (ton)	141.5	0.0%	6.9%	-8.9%	34.8%	-33.6%

Foreign Exchange

	Rate	1d	1m	3m	6m	12m
PKR/USD	200.77	0.0%	4.2%	12.4%	13.3%	29.8%
PKR/GBP	251.38	0.0%	6.0%	7.1%	7.3%	14.3%
PKR/EUR	213.77	0.0%	6.2%	8.6%	6.4%	13.3%
PKR/JPY	1.51	0.0%	0.9%	-1.5%	-3.6%	6.2%

Interest rates (change in bps)

	Rate %	1d Δ	1m Δ	3m Δ	6m Δ	12m Δ
PKRV 1 YR	15.6	0.0	91.0	366.0	412.0	797.0
PKRV 3 YR	13.6	0.0	5.0	201.0	178.0	466.0
PKRV 5 YR	13.0	0.0	9.0	133.0	109.0	357.0
PKRV 10 YR	12.9	0.0	2.0	130.0	93.0	300.0

Board Meetings

Company	Date	Time	Company	Date	Time
Olympia Mills (OML)	30-Jun-22	11:00 AM	(OML)	30-Jun-22	11:00 AM

Regional markets

	Rate	1d Δ	1m Δ	3m Δ	6m Δ	12m Δ
SHCOMP- China**	3,249	-1.1%	5.3%	-1.9%	-11.4%	-9.5%
SENSEX- India*	52,852	-2.7%	0.1%	-4.9%	-10.1%	0.7%
NIKKEI- Japan**	27,050	0.0%	2.4%	7.5%	-4.9%	-6.6%
DJIA- USA*	31,393	0.0%	-2.5%	-4.7%	-12.7%	-9.0%
Heng seng- HK**	21,208	-2.7%	6.6%	3.2%	-11.6%	-26.5%

* Reading as of last day closing

** Real time reading

Source: Bloomberg, PSX, NCCPL, Next Research

International

Oil prices slide on Beijing COVID warning, inflation concerns (Investing): Oil prices slipped more than $2 on Monday as a flare-up in COVID-19 cases in Beijing quelled hopes for a rapid pick-up in China's fuel demand, while worries about global inflation and economic growth further depressed the market. Brent crude futures fell $2.06, or 1.7%, to $119.95 a barrel by 0033 GMT while U.S. West Texas Intermediate crude was at $118.54 a barrel, down $2.13, or 1.8%. Prices tumbled after Chinese officials warned on Sunday of a "ferocious" COVID spread in the capital and announced plans to conduct mass testing in Beijing until Wednesday. Concerns about further interest rate hikes following a sharp rise in U.S. inflation data on Friday are also weighing on global financial markets. "The stronger greenback and stagflation fears proved to be the bullish market's undoing," Stephen Innes of SPI Asset Management said in a note. **(Negative)**

Economy

IMF still has concerns over Pakistan budget: Miftah Ismail (BR): Finance Minister Miftah Ismail said on Saturday that the International Monetary Fund (IMF) has expressed concern about the country's recently unveiled budget, but the government is confident it can make changes to satisfy the lender. Pakistan is looking to getting a staff level agreement with the IMF this month, Miftah Ismail said. It unveiled a 9.5 trillion Pakistani rupee ($47.12 billion) budget for 2022-23 on Friday aimed at tight fiscal consolidation in a bid to convince the IMF to restart much-needed bailout payments. "There are still some concerns the IMF has about our budget and numbers and stuff like that," Ismail said in an interview at his office in Islamabad. He said the IMF was concerned about fuel subsidies, a widening current account deficit, and the need to raise more direct taxes. Fuel subsides have been cut in the last two weeks, and the remaining support is expected to be removed in coming days. Proposed budget estimates also seek to rein in the current account deficit, but direct tax revenues remain a concern and Ismail said "slight differences" remain there. **(Negative)**

IMF not happy with income tax move: Miftah Ismail (The News): Finance Minister Miftah Ismail Saturday disclosed that the International Monetary Fund (IMF) was not happy with the budget, mainly because the government did not implement Personal Income Tax (PIT) measures suggested by it. Addressing the post-budget news conference here at P-Block Auditorium, he said there was no development on the IMF front at the moment. He admitted that there was no other choice but to take more tough decisions. He said further changes would be made in budgetary allocations after 15 days. The government did not jack up the tax rate on monthly income salary earnings of Rs100,000 per month, but took measures to slap increased taxes on property and wealthy people. The government also introduced a fixed tax scheme for retailers by offering them to pay Rs3000 to 10,000 per month and the FBR would bring 2.5 million [2,500,000] retailers into the tax net. **(Negative)**

THE RUPEE: PKR declines (BR): The rupee recorded a significant loss against the US dollar in the inter-bank market on Friday and depreciated by 0.78% as decline in the foreign exchange reserves dented market sentiment. Resultantly, the local currency shed 0.78% or Rs1.58 to close at Rs202.35 on Friday. On a weekly basis, the local currency lost 2.24% against the US dollar. On Thursday, the rupee had gained 75 paisa to close at 200.77 on the back of improved spirits over revival of the International Monetary Fund (IMF) programme and hope of receipt of $2.4 billion from China. **(Negative)**

Govt requests $2b loan rollover (Tribune): Pakistan has made another request to China for the rollover of $2 billion worth of debt maturing soon but it forgot to book Chinese and International Monetary Fund (IMF) loans in the budget, underreporting foreign borrowing by $7 billion for the next fiscal year. Finance Minister Miftah Ismail admitted on Saturday that the exclusion of IMF and some Chinese loans was a mistake that would be rectified. Once the correction is made and duly notified to the National Assembly, Pakistan's foreign economic assistance plan for fiscal year 2022-23 will jump to a record $24 billion. **(Neutral)**

Remittances decline 25.4pc MoM to $2.3bn in May (The News): Pakistan's remittances fell by 25.4 percent month-on-month in May, putting more pressure on the external account and rupee that has already hit record lows against the dollar in the current week, the central bank data showed on Friday. The State Bank of Pakistan (SBP) data showed that the country received $2.3 billion in remittances in

Next Capital Limited

2nd Floor Imperial Court Building, Dr. Ziauddin Ahmed Road, Karachi 75530 , Pakistan

☎: +92-21-111-639-825 ☏: +92-21-35632321

www.nextcapital.com.pk

✉: research@nextcapital.com.pk

May, compared with a record high of $3.1 billion in the previous month. Remittances saw a decline of 6.9 percent year-on-year in May. These inflows stood at $2.5 billion a year ago. "At $2.3 billion in May 2022, workers' remittances have continued to remain above the $2 billion mark since June 2020," the SBP said in a statement on the same day. Pakistan's citizens employed abroad sent fewer remittances home largely reflecting the usual seasonal post-Eid decline and associated long holiday, the SBP explained. **(Negative)**

Default if Pakistan quits IMF programme: Miftah (The News): Federal Finance Minister Miftah Ismail said Friday the government would abolish subsidies and go for positive taxation in order to avoid becoming another Sri Lanka. Speaking in Geo News programme "Aaj Shahzeb Khanzada kay Saath", he said Pakistan has to spend $21 billion in paying back debt. Besides, he said, the government has increase reserves in the face of $10-12 billion deficit. Against this backdrop, default would be the only option if Pakistan quits IMF programme now, the minister added. To a question about State Bank's autonomy and former minister Shaukat Tarin's insistence on looking at the core inflation, not the consumer price index (CPI), Miftah said he trust bank governor's competence. **(Neutral)**

Sector / Company

Govt projects to mop up Rs1.144tr from oil, gas sector (The News): In a major development, the government has projected to mop up a revenue of Rs1.144 trillion in next budgetary year from oil and gas sector which includes Rs200 billion from gas consumers in the shape of Gas Infrastructure Development Cess (GIDC) against the revised target of Rs25 billion in the outgoing fiscal. Though the last PTI government had budgeted the revenue of Rs130 billion through GIDC (Gas Infrastructure Development Cess) in 2021-22, which was later revised downward to Rs25 billion. Moreover, the PMLN-led government has set the target to collect a revenue of Rs750 billion through Petroleum Levy on petroleum products against the budgeted revenue target of Rs610 billion. However, the government is anticipating to earn Rs135 billion by the end of the current fiscal. **(Negative)**

Industrial amnesty scheme withdrawn (BR): The amnesty scheme (industrial package) announced by the previous government for the revival of sick units and promotion of industries has been withdrawn from March 2, 2022. The explanation of the Finance Bill 2022, issued by a chartered accountant firm, said the Income Tax (Amendment) Ordinance, 2022 introduced tax amnesties as part of a promotion package for industries. The said amnesty is available on investments in the new & existing industrial undertakings; industries owned by overseas Pakistanis and resident Pakistanis having declared foreign assets and revival of sick units. The said amnesties are proposed to be withdrawn with effect from March 2, 2022. Under the section 65H of the Income Tax Ordinance 2001, in order to provide incentive for industrial promotion, a section was inserted in the Income Tax Ordinance whereby all non-resident Pakistani citizens having non-resident status for more than five years and resident Pakistani citizens can avail the benefit of 100 percent one-time tax credit equal to the amount invested as equity from foreign exchange remitted into Pakistan through normal banking channel in a dedicated rupee account opened by a company incorporated on or after March 1, 2022 to establish an industrial undertaking. **(Negative)**

Rs699bn set aside for subsidies (Dawn): The government on Friday announced it had allocated Rs699 billion in the federal budget 2022-23 for subsidies to provide relief to the people. Around 92 per cent of the allocated amount will be spent on fuel and electricity subsidies, the documents show. The figure represents a slight increase from the Rs682bn allocated to this head last year. Finance Minister Miftah Ismail, while unveiling the budget, said Prime Minister Shehbaz Sharif believed that maximum relief should be given to the people during these hard times, especially to those segments who cannot withstand the coming storm of price hikes. **(Neutral)**