

Strategy

Exhibit: Market Historical Returns

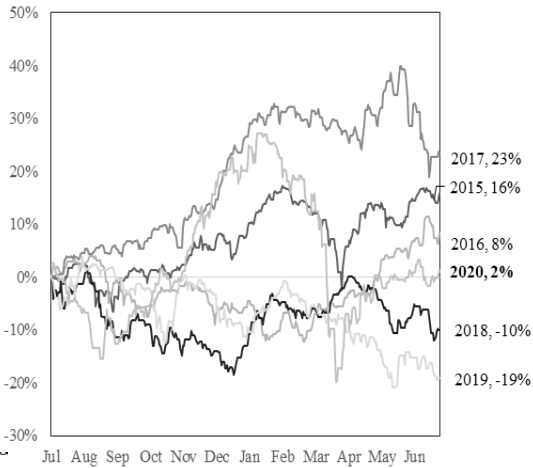


Exhibit: Leaders Stocks KSE 100 during 2020

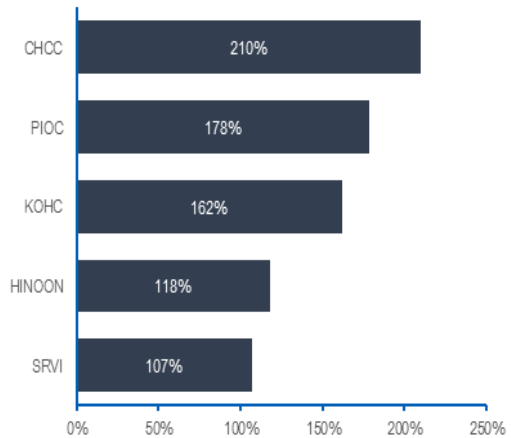
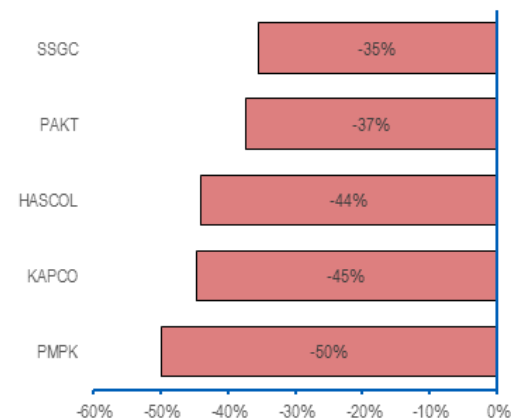


Exhibit: Laggard stocks KSE 100 during 2020



Source: PSX, Bloomberg, PBS & IGI Research

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Market Review

Amid Covid19, 2020 Market ends on a rather quieter note

- ✓ Last two year KSE 100 has given investor a setback with negative returns in 2018 and in 2019 of 10% and 19% respectively. Nonetheless, just when the market was warming up, gains vanished as quickly as they came by,
- ✓ By the last week of Mar-20, index was down to 27k level wiping out nearly ~30% of investor returns. This made it seem like 2020 to be yet another year of dismay. Investors' tracking a slowing global demand and continue to process lower corporate earnings that will result from the country wide lockdowns and lower demand, the index for Fy2020 settled at a not so likeable return of ~2%.
- ✓ Foreigners remained a net seller fifth year consecutively, shedding away nearly USD 284mn worth of market securities during Fy2020. Locally, individuals and insurance sector were the biggest buyer with a net buy value of USD 213mn and USD 128mn.

Covid 19 rout plunged market to a dismissal Fy 2020 performance

Last two year KSE 100 has given investor a setback with negative returns in 2018 and in 2019 of 10% and 19% respectively. However, this year around market rallied to post a +27% return by start of Jan-2020 giving investors a heads-up for a promising annual return. Nonetheless, just when the market was warming up, gains vanished as quickly as they came by.

By the last week of Mar-20, index was down to 27k level wiping out nearly ~30% of investor returns. This made it seem like 2020 to be yet another year of dismay. However, KSE 100 was not alone in this dismissal performance. Global capital markets (equities, commodities, currency and bond markets) across responded depressingly to escalating outspread of Covid19; particularly in the US.

Central bank and government fiscal relief put the market back on recovery track

To absorb and counteract the social, economic, and financial impacts of the pandemic countries across begin to pour in stimulus packages along with ease-up monetary conditions. State bank of Pakistan (SBP) too much like other global central banks, slashed the key policy rate by half (625bps) and brought in other credit easing measures. These measures combined with a tax-friendly budget had investors rolling up it sleeves, pushing market index to 34k by Apr-20 end which from its low of 27k is a +25% return. However, this recovery was rather short-lived with oil prices tracking a slowing global demand and investors continue to process lower corporate earnings that will result from the country wide lockdowns and lower demand, the index for Fy2020 settled at a not so likeable return of ~2% (compared to its 10-year historical average the ~17%).

Exhibit: KSE 100 annual return

April gains pushed 2020 market return to a meagre ~2%

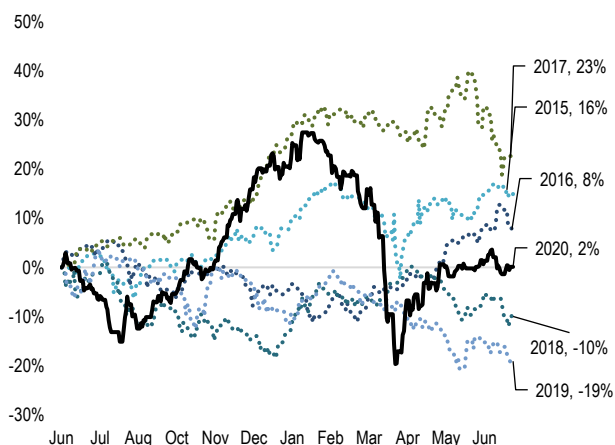


Exhibit: Market Capitalisation

Pakistan Market Capitalisation fell to ~16% of the GDP in 2020

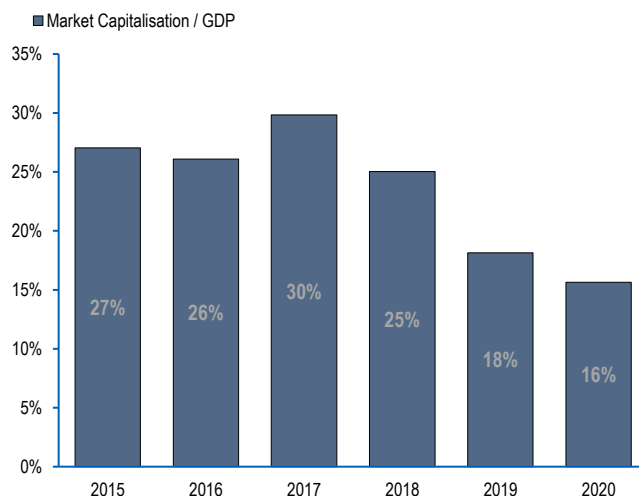


Exhibit: KSE 100 Return Profile

	2020	2019	2018	2017	2016	2015	2014	2013
Amid lockdown, March 2020 turned out to be worst performing								
Annual	2%	-19%	-10%	23%	10%	16%	41%	52%
Jul	-6%	2%	-1%	5%	4%	2%	11%	6%
Aug	-7%	-2%	-10%	1%	-3%	-6%	-5%	6%
Sep	8%	-2%	3%	2%	-7%	4%	-1%	0%
Oct	7%	2%	-7%	-2%	6%	2%	4%	3%
Nov	15%	-3%	1%	7%	-6%	3%	7%	4%
Dec	4%	-8%	1%	12%	2%	3%	4%	2%
Jan	2%	10%	9%	2%	-5%	7%	6%	2%
Feb	-9%	-4%	-2%	0%	1%	-2%	-4%	5%
Mar	-23%	-1%	5%	-1%	6%	-10%	5%	-1%
Apr	17%	-5%	0%	2%	5%	12%	6%	5%
May	-1%	-2%	-6%	3%	4%	-2%	3%	15%
Jun	1%	-6%	-2%	-8%	5%	4%	0%	-4%
Health-care sector extended the biggest losses followed by Industrial								
Financials	-24%	-9%	7%	20%	-3%	-4%	58%	32%
Energy	-28%	-17%	11%	2%	-10%	-21%	21%	42%
IT	-26%	-46%	-28%	-8%	-16%	-6%	16%	66%
Utilities	-51%	-36%	-16%	8%	3%	23%	22%	62%
Cons. Staples	-7%	9%	25%	13%	-3%	19%	68%	41%
Cons. Disc.	-13%	-8%	15%	67%	13%	48%	55%	57%
Materials	3%	-14%	23%	75%	22%	30%	42%	94%
Health Care	-86%	1%	57%	74%	45%	44%	96%	154%
Industrials	-66%	-67%	-56%	-11%	10%	21%		
Real Estate	-1%	-8%	17%	7%	-2%			
Small-cap stocks fared better than large-cap (in USDbn)								
Mega Cap.: >2.0bn	-31%	-26%	3%	13%	-11%	-33%	43%	38%
Large Cap.: >0.5bn=<2.0bn	-13%	-38%	-16%	20%	-6%	0%	41%	33%
Mid Cap.: >0.25bn=<0.5bn	-8%	-41%	-24%	16%	0%	14%	62%	44%
Small Cap.: <0.25bn	-3%	-50%	-36%	34%	6%	30%	47%	41%

Source: IGI Research, Bloomberg

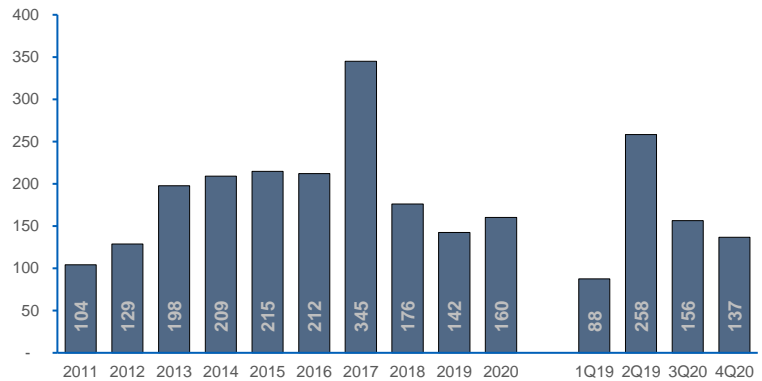
Market volumes continue to dry-up as Covid-19 outbreak escalated, however some support came from aggressive rate cuts and stimulus package, with few stocks attracting a investors' for a bargain hunt

Market volumes suffered as investors awaited clarity on Covid-19

Although overall activity at the bourse remained thin, though average traded volumes increased by +12% to 160mn shares on average per day in 2020, it still remained ~27% lower compared to a 5-year average of 218mn shares. 2q ending Dec-19 attracted highest volumes with intra-day record volume of 545mn shares. Average traded-value also declined to USD 46mn compared to a 5-year average of USD 94mn/day.

Exhibit: KSE-100 daily average turnover in millions of shares

KSE-100 Volumes improved by 12%/yly on average in FY20



Foreign investors continue to side Pakistan equity market, as E&P loaded foreign funds deallocated sector amid drop in international oil prices

Foreign investors continue to shy away from market amid drop in oil prices and monetary easing

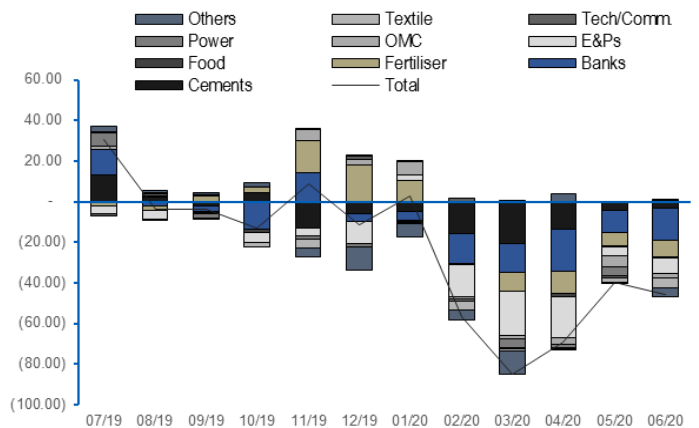
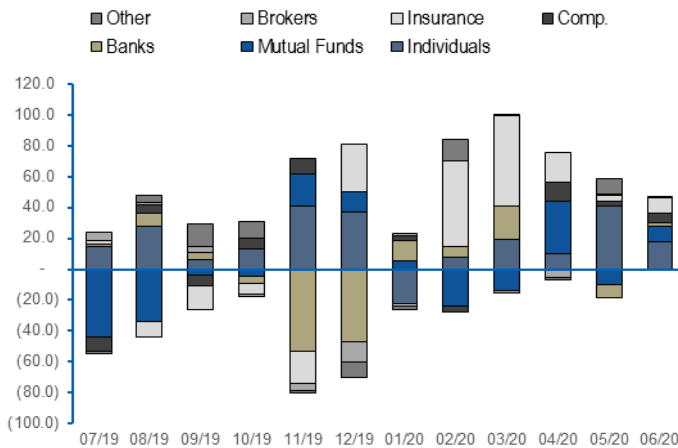
Foreigners remained a net seller fifth year consecutively, shedding away nearly USD 284mn worth of market securities during Fy2020. Sector wise E&Ps saw a net selling of USD 94mn followed by banking sector at USD 75mn while locally, individuals and insurance sector were the biggest buyer with a net buy value of USD 213mn and USD 128mn.

Exhibit: Local investment during 2020 (USDmn)

Individuals and Insurance companies remain the biggest buyer of market during 2020

Exhibit: Foreign Investment profile (USDmn)

Drop in oil price and monetary easing led to foreigners shying away from E&Ps and Banking sector during 2020.



Global capital market rout

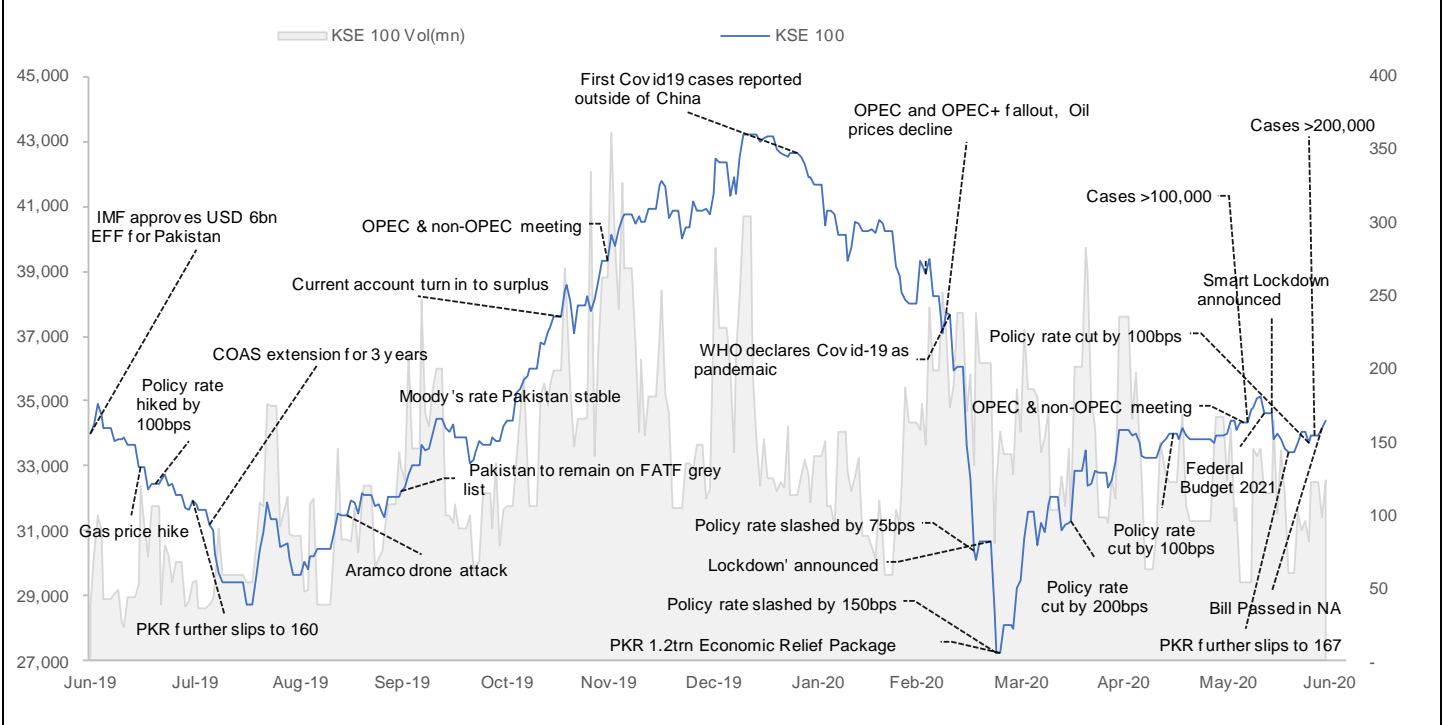
Global equity markets witnessed one of worst performance in Mar-20 but was quick to recover in Apr-20. Similarly, global commodities, oil, coal and chemical have witnessed substantial decline whereas Gold and Steel shined.

Exhibit: Global Equity Markets Performance																
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
North America																
SPX Index	48%	43%	32%	17%	2%	5%	22%	18%	3%	28%	12%	-28%	-15%	18%	7%	4%
INDU Index	45%	51%	38%	21%	2%	5%	13%	16%	4%	27%	16%	-26%	-15%	20%	9%	-2%
SPTSX Index	6%	13%	12%	4%	-3%	-4%	25%	5%	-13%	18%	9%	-28%	4%	20%	17%	16%
IBOV Index	80%	90%	37%	18%	-3%	0%	12%	-13%	-13%	2%	18%	-21%	20%	48%	46%	18%
Europe																
DAX Index	12%	13%	12%	13%	-12%	11%	24%	24%	-13%	24%	24%	-25%	-20%	41%	24%	13%
UKX Index	-5%	14%	17%	12%	0%	-3%	9%	12%	-6%	21%	16%	-24%	-15%	13%	14%	15%
CAC Index	3%	16%	11%	7%	-12%	8%	18%	17%	-20%	16%	10%	-29%	-27%	22%	17%	13%
IBEX Index	-33%	-15%	-11%	-3%	-24%	-1%	41%	9%	-31%	12%	-5%	-19%	-19%	29%	18%	21%
FTSEMIB Index	-14%	-5%	-4%	-8%	-28%	6%	40%	7%	-29%	5%	1%	-35%	-30%	15%	13%	15%
SXSE Index	-6%	1%	-1%	1%	-16%	6%	24%	15%	-20%	11%	7%	-28%	-25%	23%	15%	13%
Asia																
SHCOMP Index	-30%	-30%	-33%	-25%	-32%	109%	3%	-11%	-19%	15%	-19%	8%	-28%	128%	55%	-23%
NIFTY Index	23%	41%	28%	14%	-1%	10%	30%	11%	-7%	6%	24%	6%	-6%	38%	41%	47%
SET Index	-11%	15%	6%	5%	-4%	1%	2%	24%	13%	31%	33%	-22%	-1%	15%	0%	4%
HSI Index	-7%	9%	10%	-2%	-21%	13%	11%	7%	-13%	11%	10%	-17%	2%	34%	15%	16%
STI Index	-22%	0%	-1%	-3%	-14%	2%	3%	9%	-8%	10%	22%	-21%	-15%	45%	11%	21%
VNINDEX Index	39%	60%	62%	31%	7%	3%	20%	14%	-2%	-15%	13%	12%	-61%	99%	109%	-1%
MSCI																
MXWDIM Index	21%	23%	20%	10%	-6%	-1%	21%	15%	-9%	28%	11%	-31%	-12%	23%	16%	10%
MXEF Index	2%	8%	10%	4%	-14%	-7%	12%	0%	-18%	25%	21%	-30%	3%	42%	32%	31%
MXFM Index	-17%	-3%	-4%	-2%	-15%	-17%	31%	18%	-18%	12%	-4%	-51%	10%	37%	-13%	87%
Pakistan																
KSE100 Index	0%	-1%	22%	35%	10%	16%	41%	52%	10%	29%	36%	-42%	-11%	38%	34%	41%
Exhibit: Global Commodities																
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
International oil prices																
WTI	-33%	-2%	25%	-23%	-19%	-44%	9%	14%	-11%	26%	8%	-50%	98%	-4%	31%	52%
Brent	-34%	5%	28%	-21%	-21%	-45%	10%	5%	-13%	51%	8%	-51%	91%	-1%	34%	64%
Arab Light	-42%	11%	28%	-24%	-22%	-45%	10%	3%	-10%	50%	2%	-48%	103%	-1%	28%	57%
International coal																
Coal	-9%	4%	69%	28%	-3%	-18%	-4%	-25%	-15%	31%	59%	-56%				
Steel Prices																
HRC	70%	76%	92%	61%	14%	-34%	-3%	-15%	-14%	16%	8%	-36%	47%	-11%	19%	-6%
CRC	41%	44%	59%	37%	-1%	-27%	-10%	-8%	-10%	1%	14%	-35%	49%	-10%	-6%	10%
Metals																
Gold	51%	20%	7%	6%	13%	-12%	8%	-23%	6%	21%	34%	0%	42%	5%	41%	10%
Copper	3%	4%	15%	3%	-16%	-18%	4%	-12%	-19%	45%	31%	-42%	13%	3%	121%	25%
Silver	14%	-3%	2%	6%	19%	-25%	7%	-28%	-21%	86%	37%	-22%	40%	12%	58%	22%
Chemical prices																
PTA	-40%	1%	16%	-16%	-16%	-27%	-5%	11%	-18%	38%	2%	-29%	31%	-8%	27%	9%
PVC	-7%	4%	10%	1%	-9%	-19%	2%	19%	-25%	27%	3%	-33%	32%	14%	9%	-7%
Paraxylene	-42%	-13%	5%	-18%	-13%	-36%	3%									
Fertiliser Prices																
Urea	-43%	-28%	-29%	-55%	-49%	-9%	21%	-35%	2%	96%	3%	-66%	122%	65%	-24%	36%
DAP	-35%	-26%	-12%	-27%	-27%	0%	-1%	-16%	-11%	42%	58%	-76%	174%	64%	7%	15%

Source: IGI Research, Bloomberg

Exhibit: Market Event Line Graph for FY20

A rollercoaster ride in FY20 ends with a flat index of 34,422



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