



ACPL DIGEST

(Nov-23)

Abbasi and Company (Pvt.) Limited (ACPL) is amongst the notable financial brokerage firms in Pakistan. The company is a TREC holder of Pakistan Stock Exchange Limited (PSX) and is a universal member of Pakistan Mercantile Exchange Limited (PMEX). Pakistan Credit Rating Agency (PACRA) has assigned the initial broker rating of “BMR 2” and “BFR 2” with “Stable” outlook to Abbasi and Company (Pvt.) Limited.

ACPL Research covers 46 scrips from 14 sectors which constitute around 60% of the market capitalization of the KSE 100 index

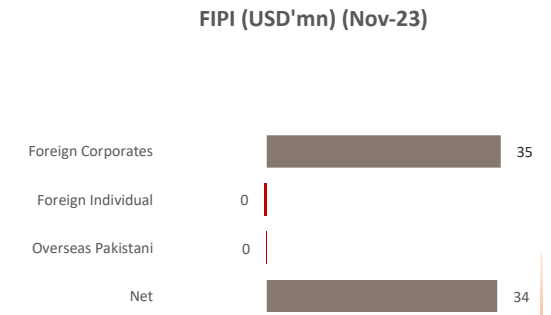
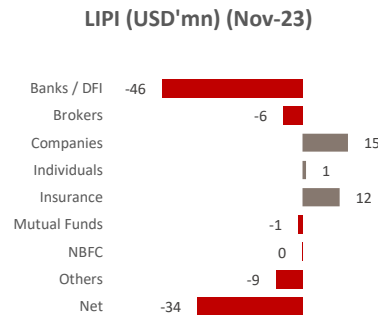
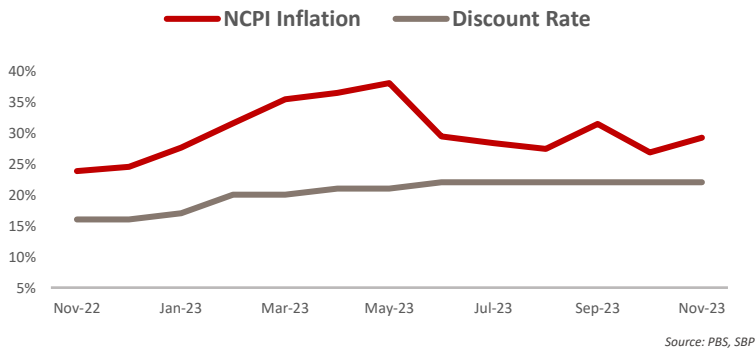
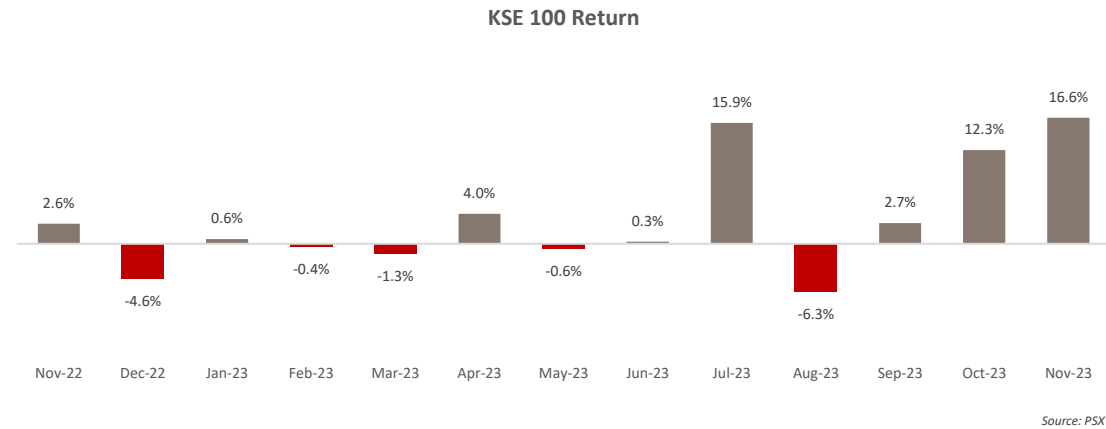


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Remittances			Exports			Imports			Current Account	
4MFY24	4MFY23	Change	5MFY24	5MFY23	Change	5MFY24	5MFY23	Change	4MFY24	4MFY23
\$8.8 bn	\$10.2 bn	▼ -13.4%	\$12.2 bn	\$11.9 bn	▲ 2.3%	\$21.5 bn	\$26.0 bn	▼ -17.3%	-\$1.1 bn	-\$3.1 bn

After achieving a remarkable 12.3% return in Oct-23, the KSE100 index surpassed the psychological threshold of 60,000, marking its all-time high in six years with an impressive 16.6% return in Nov-23. Several positive catalysts fueled this surge. Firstly, a staff-level agreement with the IMF on a \$3 billion bailout's first review paved the way for a \$700 million disbursement pending approval. Additionally, Pakistan's Q1 FY 2023-24 GDP growth of 2.13%, compared to 0.96% last year, significantly improved market sentiment. Furthermore, Pakistan and the UAE signed multi-billion-dollar MoUs during Prime Minister Anwaar-ul-Haq Kakar's visit, with an expected investment of up to \$25 billion in diverse sectors. In the midst of this, substantial selling of around \$45 million was observed from commercial banks aiming to book gains before the year-end. However, the majority of this selling was absorbed by foreign corporates with a foreign portfolio investment of \$35 million. Once the selling from



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commercial banks concludes, a further surge in the index is anticipated. Looking ahead, the materialization of these MoUs will be a focal point influencing the market. The extension of the term for a \$3 billion deposit from the Kingdom of Saudi Arabia (KSA) will bolster Pakistan's economy. As far as the interest rate is concerned, we are adjusting our projections for a potential rate cut in December 2023. This revision is influenced by the prevailing elevated inflation in November, primarily due to a massive hike in gas prices. However, a mitigating factor could be the decreasing international crude oil prices, which may contribute to a reduction in inflationary pressures. This, in turn, could provide the central bank with the opportunity to consider lowering interest rates in the subsequent year, especially after the conclusion of the IMF program in March 2024. **Going forward, caution is advised as the index is in an overbought zone, with the RSI at around 93. Investors are recommended to book profits and strategically accumulate recommended stocks during market corrections. Our recommended stock picks include MUGHAL, CHCC, SEARL, MTL, and PABC.**

		(USD' mn) (Nov-23)										
		Cement	Banks	Fertilizer	Food	E&P	OMC	Power	Tech	Textile	Others	Gross
LIPI Portfolio	Banks / DFI	-10.68	-17.56	-6.74	0.89	0.78	-1.48	-4.05	3.61	-1.73	-7.64	-44.62
	Broker Proprietary Trading	-0.78	-0.81	-0.62	-0.41	-0.87	-2.12	-0.02	-0.36	0.43	-1.78	-7.34
	Companies	11.33	2.12	3.23	0.50	-0.09	0.74	-0.44	-3.09	0.27	0.39	14.96
	Individuals	-4.85	-0.95	3.66	2.13	1.39	-2.77	-3.47	0.31	-0.55	6.15	1.04
	Insurance Companies	-0.84	9.81	1.21	-0.68	1.61	0.62	1.01	-0.35	-0.37	0.27	12.29
	Mutual Funds	-1.55	-2.13	-1.57	-0.67	1.24	-1.52	-2.46	0.46	2.21	4.46	-1.53
	NBFC	-0.04	0.02	0.01	-0.01	0.04	-0.00	0.00	-0.01	-0.01	-0.13	-0.11
	Other Organization	-1.79	-0.50	-5.39	-0.16	1.69	0.42	1.06	-0.33	-0.05	-4.13	-9.18
	LIPI Total	-9.19	-10.00	-6.21	1.58	5.79	-6.11	-8.37	0.23	0.19	-2.42	-34.50
FIPI Portfolio	Foreign Corporates	9.93	11.22	5.39	-0.69	-7.00	6.76	7.99	-0.76	0.17	1.99	35.01
	Foreign Individual	-0.10	-0.03	0.00	-0.05	-0.07	-0.01	-0.05	0.02	0.00	-0.08	-0.37
	Overseas Pakistani	-0.65	-1.19	0.82	-0.84	1.27	-0.65	0.43	0.51	-0.35	0.51	-0.14
	Total	9.19	10.00	6.21	-1.58	-5.79	6.11	4.51	-0.23	-0.19	2.42	34.50

Source: NCCPL

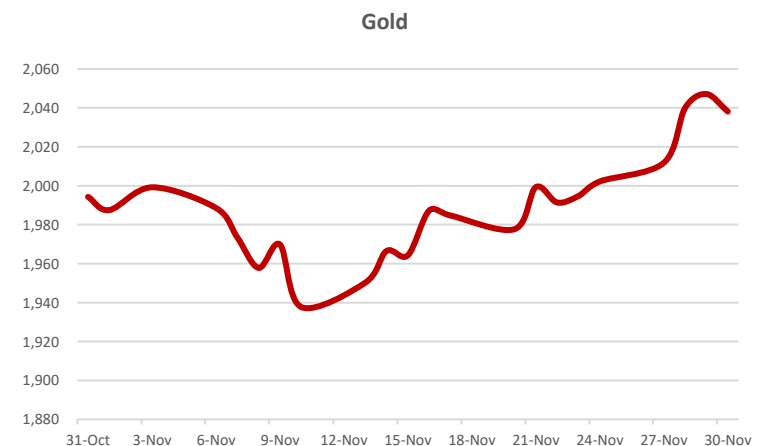
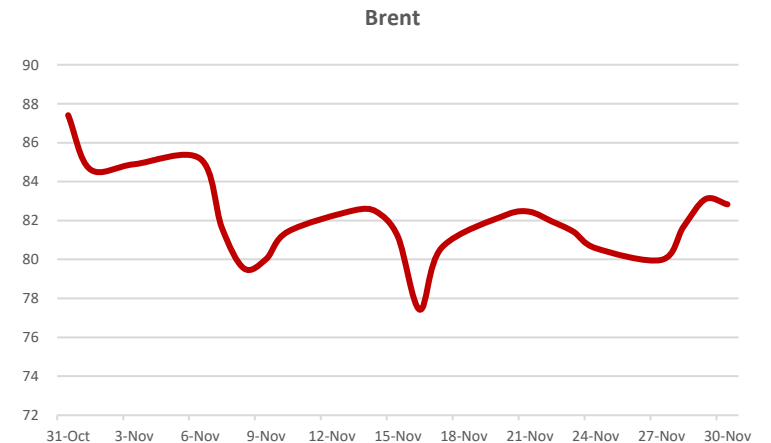
COMMODITIES OVERVIEW

Crude Oil

In November 2023, Brent oil declined by 5.2% and closed at \$82.83. OPEC recently announced an additional million barrels per day (bpd) reduction in Crude Oil pumping quotas, but markets remain skeptical about the oil cartel’s ability to execute a production cap that is increasingly unpopular with many of its smaller constituent member states. Lack of agreement over amounts, length of time, and general terms sees fossil fuel investors raising eyebrows as OPEC leaves itself no real method of enforcing compliance with the opt-in cuts, which are expected to run through the first quarter of 2024. With OPEC’s meager million bpd production cut unlikely to chew through slumping global Crude Oil demand, oil barrel supply overhangs are expected to exacerbate in the coming months.

Gold

During the month of November 2023, the price of gold futures surged by 2.2% and ended the month at \$2,038.10. Despite the Federal Reserve’s tightening bias, it’s only a matter of time before the central bank is forced to cut interest rates, and it’s this expected shift that has pushed gold prices solidly above \$2,000 an ounce. Going forward, gold is seeing renewed buying momentum as markets continue to price in a potential rate cut as early as March. The precious metal's rally comes even as the central bank maintains its tightening stance. Friday, Federal Reserve chair Jerome Powell said that he is still not confident monetary policy is sufficiently restrictive enough to bring down inflation to 2%.



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DEFINITION OF TERMS

TP	Target Price	DDM	Dividend Discount Model	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	JPB	Justified Price to Book

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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