



ACPL DIGEST

(Oct-23)

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

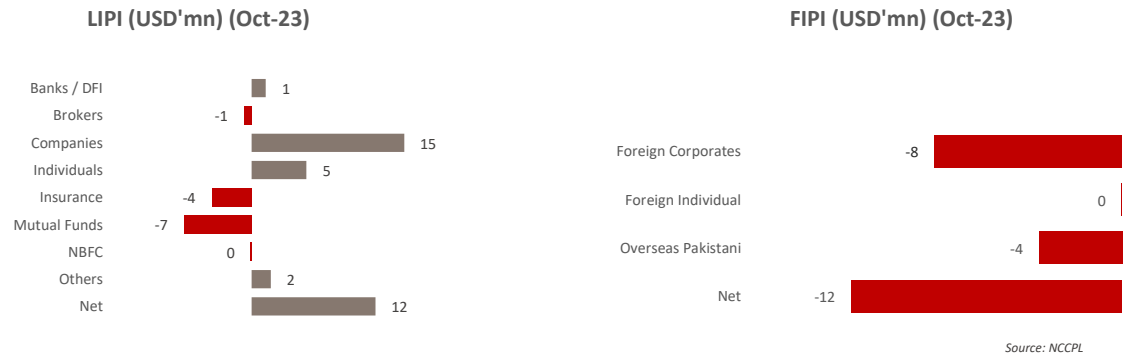
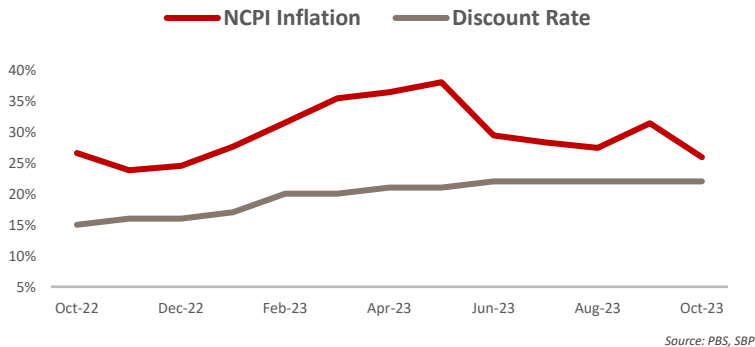
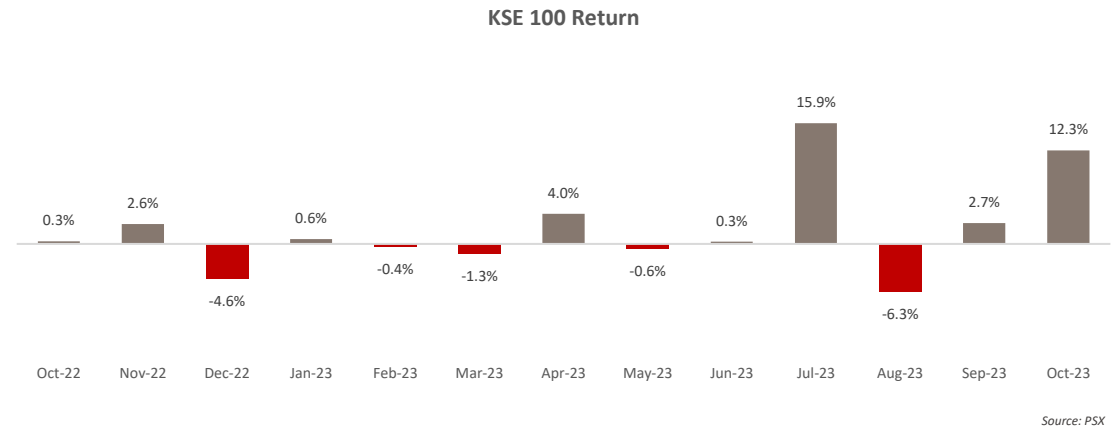


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Remittances			Exports			Imports			Current Account	
3MFY24	3MFY23	Change	3MFY24	3MFY23	Change	3MFY24	3MFY23	Change	3MFY24	3MFY23
\$6.3 bn	\$7.9 bn	▼ -19.9%	\$6.9 bn	\$7.2 bn	▼ -3.8%	\$12.2 bn	\$16.3 bn	▼ -25.4%	-\$0.9 bn	-\$2.3 bn

In October 2023, the KSE100 index made an impressive leap of 12.3%, crossing the significant 50,000 mark, a noteworthy milestone. This surge can be attributed to two key rallies. First, it was driven by the appreciation of the PKR and the expectation of declining interest rates, thanks to an improved inflation outlook. The second rally was sparked by the IMF SBA agreement. Additionally, the corporate sector, especially the banking industry, posted substantial profits and dividends, further contributing to the index's upswing. These combined factors have propelled the index back to the 50,000 range, marking a return after a six-year hiatus, last seen in June 2017. During the month, another significant structural reform was the long-overdue approval of gas price increases, as demanded by the IMF. This move aims to address the persistent circular debt issue in the energy sector, a significant challenge for the country. It was implemented just ahead of the IMF review, scheduled from



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November 2-16, which will assess Pakistan's fiscal deficit and the benchmarks established under the \$3 billion SBA agreed upon in July-23. A positive evaluation by the IMF could lead to the release of a second \$700 million tranche. These financial developments come as the country prepares for a general election in January, operating with an exchange rate of \$1 equal to 281.47 Pakistani rupees, showing a 2.2% appreciation in October 2023. Furthermore, the return of Afghan refugees and strict border measures to combat smuggling are expected to contribute to the stability of the U.S. dollar, which, in turn, is likely to support overall stability in the stock market. In a recent Monetary Policy Committee (MPC) meeting, the State Bank of Pakistan (SBP) decided to keep the interest rates unchanged. Looking ahead, it is anticipated that the SBP will reduce interest rates by approximately 100 basis points in December 2023, driven by an improving inflation outlook attributed to declining international crude oil prices. **With the backdrop of falling global crude oil prices, a steadying exchange rate, the return of Afghan refugees, effective measures to combat smuggling, the likelihood of a declining interest rate, notable structural reforms in the energy sector, and the announcement of the election date, we have a positive outlook for the index. We anticipate that the index will reach new heights, surpassing the all-time high of 53,127, last witnessed in May 2017, in the upcoming days. Our recommended stock picks include ILP, PTL, CPHL, ISL, TGL, GAL, and MUGHAL.**

		(USD' mn) (Oct-23)										
		Cement	Banks	Fertilizer	Food	E&P	OMC	Power	Tech	Textile	Others	Gross
LIPI Portfolio	Banks / DFI	-0.72	6.88	-0.48	0.09	1.11	-0.43	-2.23	-0.36	0.09	-2.36	1.59
	Broker Proprietary Trading	0.31	-0.87	-0.01	0.40	0.82	0.23	-0.39	0.31	-2.02	0.65	-0.57
	Companies	4.39	-3.39	1.48	0.09	3.01	0.15	1.48	1.11	0.37	6.23	14.91
	Individuals	-4.00	1.04	-2.89	0.12	-0.16	-2.34	1.31	4.22	1.96	5.93	5.20
	Insurance Companies	-0.89	-0.33	1.29	0.08	-1.15	-0.84	-0.08	-0.20	-0.85	-0.93	-3.92
	Mutual Funds	-0.22	-0.55	1.34	-0.60	-6.22	2.32	-0.16	-1.31	-0.17	-1.33	-6.90
	NBFC	-0.04	-0.03	-0.00	0.01	0.01	-0.02	0.01	-0.00	0.00	0.00	-0.06
	Other Organization	-0.26	2.77	0.00	0.07	0.26	-0.01	0.05	-0.83	0.03	-0.15	1.92
LIPI Total		-1.43	5.51	0.75	0.25	-2.32	-0.94	-0.03	2.94	-0.59	8.03	12.16
FIPI Portfolio	Foreign Corporates	1.50	-5.75	-0.24	0.92	1.31	-0.09	0.65	1.85	-0.16	-8.42	-8.42
	Foreign Individual	0.01	-0.01	0.05	0.03	0.00	0.00	0.05	-0.16	0.00	0.01	-0.01
	Overseas Pakistani	-0.08	0.25	-0.56	-1.21	1.01	1.03	-0.67	-4.63	0.75	0.37	-3.73
	Total	1.43	-5.51	-0.75	-0.25	2.32	0.94	0.66	-2.94	0.59	-8.03	-12.16

Source: NCCPL

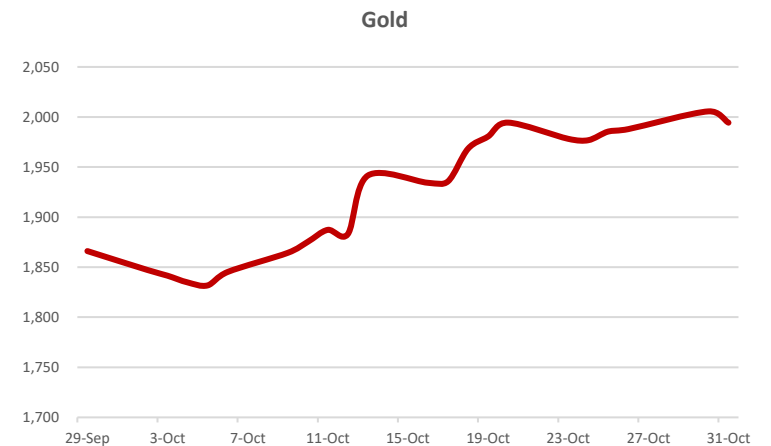
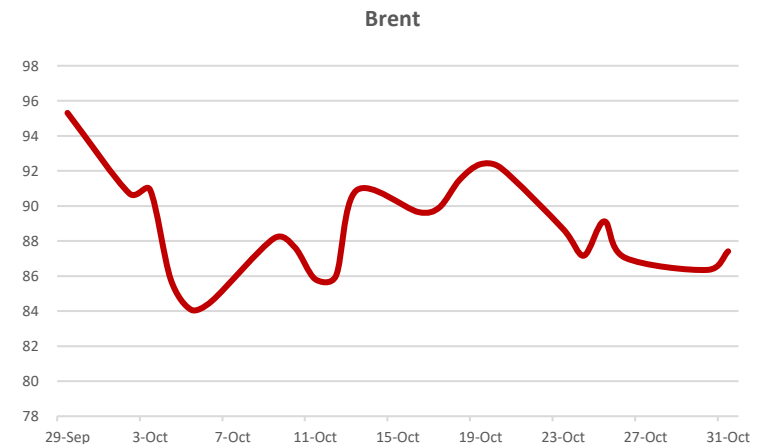
COMMODITIES OVERVIEW

Crude Oil

In October 2023, Brent oil declined by 8.3% and closed at \$87.41 as the Greenback recovered while market players remain less worried about supply disruptions amid the Middle East conflict. China revealed that manufacturing activity contracted, weighing on demand prospects in one of the largest oil importers. Fears of global economic slowdown reignited as the Eurozone (EU) revealed its Gross Domestic Product (GDP) for the third quarter slipped to contractionary territory. Oil traders are also watching whether central banks in the U.S. and Europe will keep fighting inflation with interest rate hikes. Recent communications from the Fed highlighted concerns over persistent US inflation, hinting at potential additional interest rate increases this year. Interest rate hikes would further slow economic growth and reduce oil demand.

Gold

During the month of October 2023, the price of gold futures gained the second largest percentage and dollar gain in a single month this year. The futures surged by 6.9% and ended the month at \$1,994.30. Overwhelmingly, the vast majority of gains witnessed this month began after a surprise attack by the militant group Hamas on Israel on October 9. Gold has been continuing to rise as the attack resulted in a major conflict and war between Israel and Hamas that continues to this day. Going forward, we expect the gold prices to remain elevated amid concerns that the war between Israel and Hamas would escalate to a much wider conflict with other areas in the Middle East becoming active.



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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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