



ACPL DIGEST

(Sep-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.

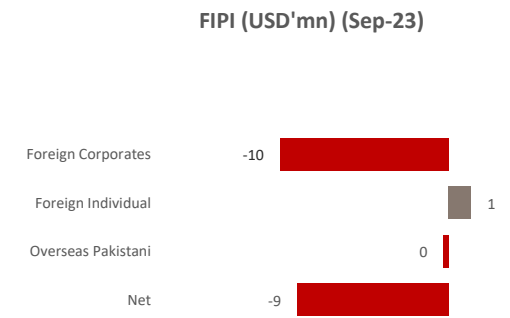
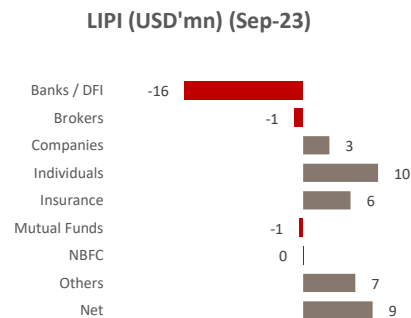
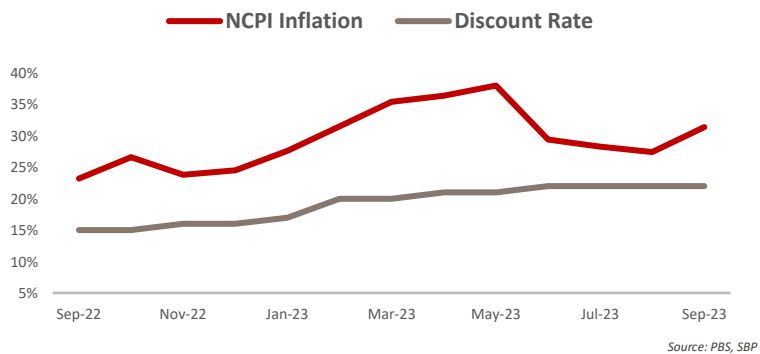
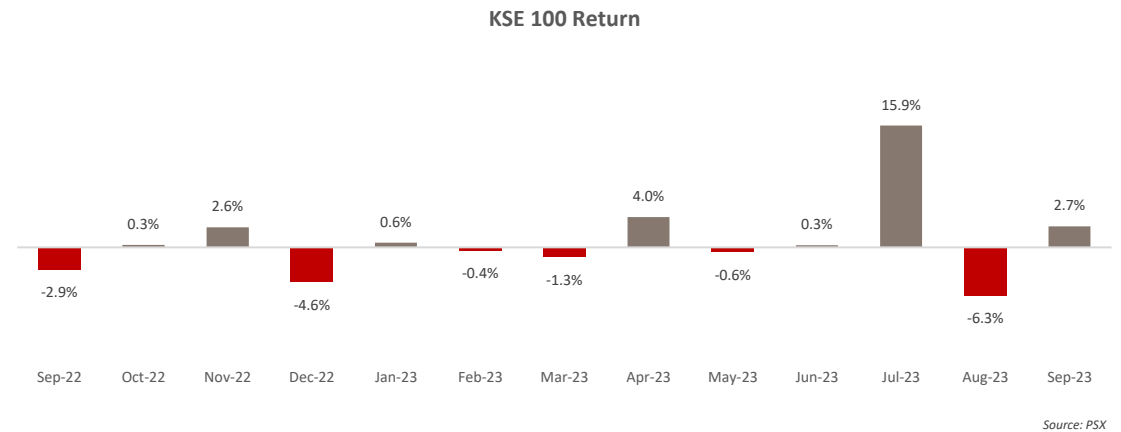
ACPL Research covers 46 scrips from 14 sectors which constitute around 60% of the market capitalization of the KSE 100 index



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Remittances			Exports			Imports			Current Account	
2MFY24	2MFY23	Change	2MFY24	2MFY23	Change	2MFY24	2MFY23	Change	2MFY24	2MFY23
\$4.1 bn	\$5.3 bn	▼ -22.6%	\$4.4 bn	\$4.7 bn	▼ -6.3%	\$8.2 bn	\$11.0 bn	▼ -25.8%	-\$0.9 bn	-\$2.0 bn

After posting a negative return of 6.3% in Aug-23, the KSE-100 showed some recovery in Sep-23 and concluded the month by posting 2.7% return as the MPC, in a surprising move, decided to keep the benchmark interest rate steady at 22%, contrary to expectations of a 100-200 bps increase. This decision was unexpected given persistently high inflation and rising global oil prices. However, the central bank expressed confidence that inflation would decrease, particularly in the latter half of FY24. They attributed this optimism to adjustments in energy prices, improved agricultural prospects, and successful efforts to combat smuggling and illegal forex trading. It's crucial to mention that recently, the SBP governor stated that the current 22% interest rate is already considered very high, and there are no plans for further rate hikes. The government's recent measures to combat currency hoarding and speculation have effectively reduced the USD exchange rate from over Rs. 330 to Rs. 287.74 in Sep-23.



We anticipate that the dollar will find stability at around Rs. 285, a development that is expected to contribute to overall stability in the stock market. Furthermore, The Election Commission of Pakistan (ECP) officially declared that the general elections in the country are scheduled to occur in the final week of January 2024. This announcement by the ECP has effectively dispelled the lingering uncertainty surrounding the elections. The confirmation of the election date is expected to usher in a sense of political stability in the country, a development that is viewed positively within the stock market. **Given the elevated global crude oil prices, the stabilizing exchange rate, the assurance of no further interest rate hikes, and the election date announcement, we anticipate that the commercial banks and the oil and gas exploration sector in Pakistan are expected to benefit the most. Our recommended picks are UBL, BAH, MEBL, OGDC, PPL, CPHL, ISL, TGL, ILP, and AIRLINK.**

		(USD' mn) (Sep-23)										
		Cement	Banks	Fertilizer	Food	E&P	OMC	Power	Tech	Textile	Others	Gross
LIPI Portfolio	Banks / DFI	0.24	-6.96	0.76	-1.10	-0.36	-0.12	-1.22	0.09	-0.33	-0.02	-9.02
	Broker Proprietary Trading	0.26	1.10	-0.03	-0.22	-0.66	0.30	-0.06	-1.28	1.30	-1.69	-0.96
	Companies	1.08	-4.30	0.09	1.19	1.27	-0.27	1.23	-0.14	-0.02	3.29	3.41
	Individuals	2.39	3.59	1.37	0.42	-0.08	0.30	-0.27	1.03	-0.22	1.28	9.80
	Insurance Companies	0.63	5.89	-0.02	-0.18	0.30	-0.54	0.01	0.09	-0.29	0.33	6.20
	Mutual Funds	0.32	-2.32	-0.08	-0.40	0.68	0.62	0.21	-0.30	0.24	-1.35	-2.36
	NBFC	0.03	0.01	-0.00	-0.00	-0.04	0.00	-0.00	0.00	0.00	-0.01	-0.02
	Other Organization	-0.16	3.93	-0.15	0.05	-0.31	-0.00	0.01	-0.90	-0.15	-0.30	2.01
LIPI Total		4.79	0.94	1.94	-0.23	0.80	0.28	-0.11	-1.41	0.54	1.52	9.07
FIPI Portfolio	Foreign Corporates	-4.78	-1.00	-2.10	0.28	-0.79	-0.07	-0.43	0.25	-0.16	-1.31	-10.11
	Foreign Individual	0.00	0.00	-0.03	0.00	0.02	0.00	0.05	1.18	0.00	0.12	1.35
	Overseas Pakistani	-0.02	0.06	0.19	-0.05	-0.03	-0.21	0.48	-0.01	-0.38	-0.33	-0.30
	Total	-4.79	-0.94	-1.94	0.23	-0.80	-0.28	0.46	1.41	-0.54	-1.52	-9.07

Source: NCCPL

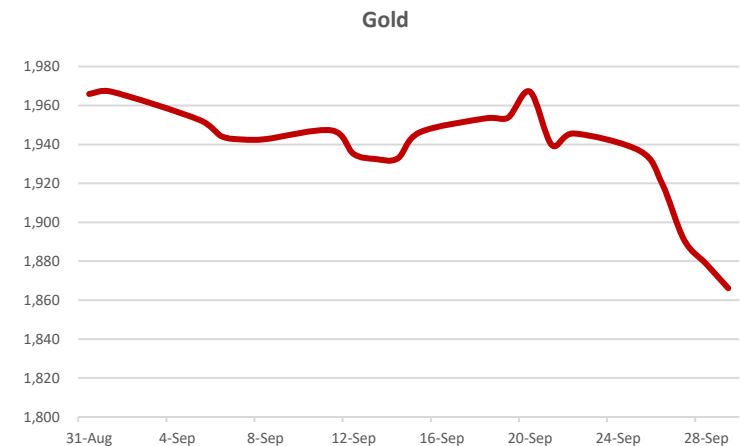
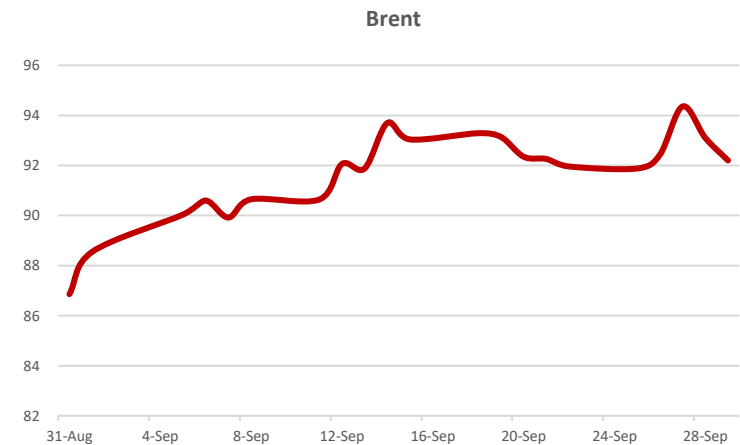
COMMODITIES OVERVIEW

Crude Oil

In September 2023, Brent oil surged by 6.1% and closed at \$92.20 as global oil supply remains tight, with OPEC and its allies continuing to implement production cuts. The oil market is still concerned about the demand outlook in China, which has had a sluggish post-pandemic recovery and stimulus pledges have fallen short of expectations. In Germany, the lower house of parliament passed a bill that could reduce future fossil fuel demand by phasing out oil and natural gas heating systems. 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 September 2023, the price of gold futures declined by 5.1% and ended the month at \$1,866.10 as the US Dollar (USD) continues to exert pressure on the XAU/USD. The Federal Reserve's hawkish stance reinforces expectations of further decline for the non-interest-bearing precious metal. This sentiment has spurred a continued decline in the US fixed-income market, propelling the yield of the two-year US government bond to its highest in 17 years. Furthermore, the pivotal 10-year US Treasury note surpassed the 4.50% mark, a feat not seen since 2006, bolstering the USD and reinforcing the bearish outlook for gold.



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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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