

EQUITY MARKET

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Monday, 9 March, 2020

KSE 100 plunged deep into losses on the first morning of the week to 36,113 (-2,107; -5.5%) after which the trading has been halted for 45 minutes. The immense selling pressure came on account of the collapse of crude oil which fell by around 40% in two days as the OPEC and Russia failed to reach an agreement to curb production amid flagging demand, partially because of the effects on global economies from the coronavirus crisis, effectively setting off a price war.

Furthermore, global equity markets also tumbled on Monday as panicked investors fled headlong to bonds to hedge the economic trauma of the coronavirus. Investors drove 30-year U.S. bond yields beneath 1% on bets the Federal Reserve would be forced to cut interest rates by at least 75 basis points at its March 18 meeting, despite only just having delivered an emergency easing.

The safe-haven yen surged across the board as emerging market currencies with exposure to oil, including the Russian rouble and Mexican peso, tumbled.

Italy's markets are also under fire after the government ordered a lockdown of large parts of the north of the country, including the financial capital Milan. The number of people infected with the coronavirus topped 107,000 across the world as the outbreak reached more countries and caused more economic carnage.

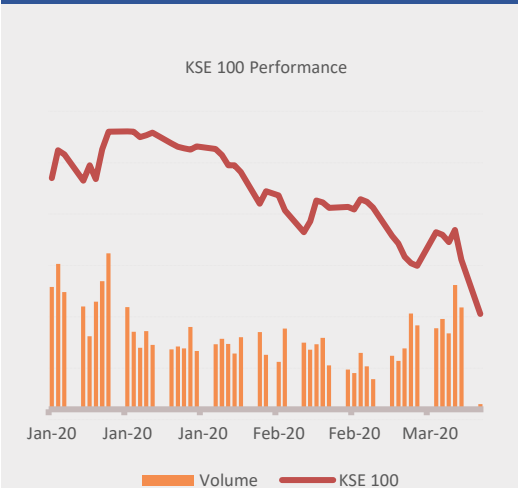
Future Strategy

We advise our investors to sell the E&P stocks (OGDC, PPL, POL & MARI) as the drop in the international crude oil prices would lower the realized selling price for E&P companies.

Furthermore, commercial banks would also remain under pressure as the lower outlook for inflation would push the SBP to adopt a dovish stance earlier than expected.

However, the accumulation of cyclical stocks e.g. cements, steel and other companies recommended by us on our official website, is recommended near the level of 34,500.

Key Statistics



Sources: ACPL Research, PSX, investing.com

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DEFINITION OF TERMS

TP	Target Price	CAGR	Compound Annual Growth Rate	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	LDCP	Last Day Closing Price

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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BUY	Greater than 15%
HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
Overweight	Positive
Market Weight	Neutral
Underweight	Negative

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