

## Weekly Stock Market Commentary

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During the week ending March 13th, the stock market exhibited extreme volatility as depicted by the average daily movement of 728 points (1.9%). Extending the sell-off, the market started off the week on a faltering note with a massive decline of 1,161 points (3%) in the benchmark KSE 100 Index on Monday, March 9th. After witnessing calm over the next two trading days, the PSX again fell by a hefty 1,717 points (4.6%) on Thursday, March 12th, following the slump in the global equities. Overall, the market closed the week with a sharp decline of 5.6% in the KSE 100 Index on a week-on-week basis. This dismal performance of the stock market is attributable to the twin shocks: risks to the global economy from the outbreak of highly contagious Coronavirus and the slump in crude oil prices after breakdown of the supply side arrangement between the OPEC+.

Looking at the participants-wise activity during the week, Foreign Investors remained the main sellers in the market, offloading positions to the tune of USD 23 million. Alongside, Mutual Funds were other large sellers, liquidating shares worth USD 9 million. On the contrary, Insurance Companies remained the largest buyers in the market, accumulating fresh positions to the tune of USD 25 million. Likewise, Banks/DFIs added positions amounting to USD 6 million.

What is next? To put things into perspective, as we see it, the recent slump at the local bourse was mainly driven by a massive USD 40 million selling by the foreign investors during the last two weeks amid outflows from the Emerging Markets. We believe that the domestic investment landscape is shaping up to be constructive for equities. From the fundamental perspective, the sharp fall in the global crude oil prices amid supply side developments and weakening demand bodes well for our economy as it would lower oil import bill and moderate inflationary pressure. This in turn has made a strong case for reduction in Policy Rate by the SBP in its upcoming Monetary Policy Review scheduled for March 17th. From the valuation standpoint, after a sharp 17% correction from its recent high of 43,219 points hit on January 13th, the market is trading at an extremely attractive forward Price-to-Earnings (P/E) multiple of 6.1 against the 10-year average of 8.5. Corporate profitability is still expected to remain robust in the next 2-3 years. Sharp decline in yields on the government securities have also strengthened the case for equities.

Going forward, in our view, the market would take cue from the developments on the spread / containment of the Coronavirus that has now spread to a major part of the world. Though it is hard to call the market bottom; given attractive valuations, robust fundamentals, and improving economic outlook, we advise investors to consolidate position in the market via our NBP Stock Fund / NBP Islamic Stock Fund, keeping their long-term investment objectives in mind.