

## Stock Market update after Russian invasion of Ukraine

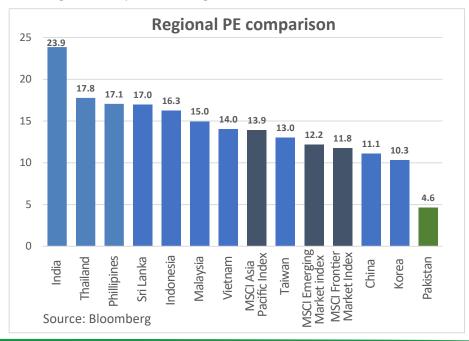
February 24, 2022

The Russian invasion of Ukraine has sent jitters to the global markets, and PSX has not been an exception. The benchmark KSE-100 index fell by 2.9% to close at 43,831 points today. The invasion has triggered an upsurge in energy prices including oil which has breached the dreaded \$100/bbl mark as possible sanctions on Russia has sent speculators flocking into commodities. Precious commodities such as Gold, Palladium, and Platinum have also surged whereas grain markets especially wheat (a key Russian export) and corn (Ukrainian export) have also seen an increase.

As far as PSX is concerned, we have already seen the lackluster performance over the last five years. We see very attractive valuations in the market at current levels. To put things into perspective, we are already at an average discount of 69% to regional markets. For CY21, the y/y growth in earnings as per our estimates is projected at a whopping 43%. These are the most attractive valuations the stock market has seen since the 2008 financial crisis. While it is difficult to predict the exact bottom from where the market rebound, we are certainly near those levels at a historically low price-to-earnings ratio of 4.6 times.

Our last point is on buybacks. PSX listed corporates have announced dividends of ~PKR500bn for CY21. Had psx listed corporates followed global trend of buybacks (listed corporates are one of the largest participants in US and other developed markets) rather than just dividends, we would have seen PKR300bn of inflow into equity markets. This quantum alone would have been enough to send market to record highs. But for now, it is the retail, high net worth individuals, and institutional investors who are expected to revert to the market considering attractive valuations. We see market delivering a healthy double digit return of around 15-20% for CY22.





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