

Moody's Upgrades Pakistan Rating **August 29, 2024**

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Moody's has upgraded Pakistan's Local and Foreign Currency Issuer and Senior Unsecured Debt Ratings to Caa2 from Caa3, with the outlook revised to positive from stable. This upgrade coincides with Fitch's earlier upgrade and is timely as Pakistan prepares for a global bond issuance. These rating improvements are expected to boost the perception and sentiment of global investors, lenders, and donors, enhancing Pakistan's economic outlook. Moody's upgrade signifies growing global confidence in Pakistan's ability to manage financial challenges and set the stage for sustainable growth. This positions Pakistan to access global capital markets at better terms, potentially reducing borrowing costs, easing debt pressures, and creating much-needed fiscal space.

Our analysis (see graphs below) indicates that since 2000, the rating and/or outlook upgrade by Moody's results in the stock market giving on average a return of 3%, 7%, and 13% in the subsequent one, three, and six months respectively. On the contrary, in an event of ratings/outlook downgrade, the stock market gives on average a return of -5%, -13%, and -9% in the subsequent one, three, and six months respectively.

To capitalize on this positive development and the stock market's attractive valuations, we recommend investors to consider NBP stock funds, which have a proven track record of long-term market outperformance.

