

A note on Pakistan Stock Exchange: Outshining with New highs

Dear Investor,

During the calendar year, till October 10, 2016, the stock market maintained its upward trend; the KMI-30 posted a return of 25.75%.

The fiscal year 2017 started on a positive note as the market continued its momentum on the back of Pakistan's entry into Emerging markets at the end of the previous fiscal year. The market's strong performance was attributable to foreign buying in stocks to be included in MSCI Emerging Markets Index which also brought about local interest in these scrips. Globally, concerns regarding Britain's exit from the European Union unsettled investors for a brief time period, however, the local equity market remained largely unaffected as the emerging market euphoria took over and international markets subsequently recovered.

The SBP, in its recent Monetary Policy Statement maintained the policy rate at 5.75%, despite the recent recovery in oil prices and increasing inflation. Monthly CPI clocked in at 3.88% for the month of September, taking the 3MFY'17 average inflation to 3.85%. Going forward, despite real interest rates providing room for further monetary easing, some concerns on slowdown of foreign remittances in the wake of slowing commodity prices may affect the direction of interest rates.

The upcoming events in the next two months including US Presidential Elections, OPEC meeting and Federal Open Market Committee (FOMC) meeting will be key drivers that would determine the direction of global capital markets. After a recent round of volatility in the local equity market after Geo-political tensions between India and Pakistan escalated, such concerns have now subsided and the market is back to its normal course. The transition of army's top command towards a new army chief is also on the cards but the broad strategy is expected to continue and additional positives from the accountability initiatives are expected to materialize going forward. Moreover, for the very first time, the IMF program saw its successful conclusion in September 2016 which was a sentiment booster for Pakistan in international markets. Subsequently, the government successfully issued International Sukuk raising USD 1 billion which bolstered foreign exchange reserves to a historical high of USD 24.5 billion in October 2016; equal to six months of import bill. While some political concerns may create volatility in the short term, we expect equities to stay strong and continue to provide positive returns in the long run.

We would therefore encourage you to continue investing with Al-Meezan Investments after the maturity of Meezan Capital Preservation Plan I (MCPPI), for the chance to participate in further upside from equities.

We thank you again for your continued support and maintaining your faith in us for managing your investments.