

Stock Market Review and Outlook

CONSOLIDATION AFTER A PHENOMENAL RIDE

Dear Investor,

After posting a robust performance for the year 2016, the stock market continued its upward momentum whereby the KMI-30 and KSE-100, after attaining their all-time high closing levels of 86,359 pts and 50,192 pts, settled at 84,889 (↑3.78%) and 49,376 (↑3.28%) respectively in CY17TD.

Despite the fact that foreigners continued to be net sellers to the tune of almost USD 114.5 million in CY17TD, local investors kept supporting the market on the back of positive economic forecasts, excess liquidity and strong investors' sentiment. However, the market took a slight correction in the last few days on account of SECP's show-cause notices to brokers for curbing in-house financing (badla), PSX and SECP's tightening measures amid defaults by a couple of brokers and concerns trickling down from the international front with President Trump taking the idea of populism on board.

On the international front, oil prices showed a range bound behavior in CY17TD whereby Brent Crude is currently at USD 56.14/barrel (↑0.79%). In line with this international price movement, oil exploration remained among the lagging sectors of the local stock index.

Going forward, given the strong economic outlook expected for Pakistan in line with the ongoing projects under CPEC as well as alleviation of energy crisis with the expected addition of new power plants by the end of this year, the pace of Pakistan's development is expected to pick up strongly. Alongside, based on the P/E multiple, Pakistan's stock market is still trading at a reasonable discount and has ample room for growth before its valuation reaches at par with the regional peers so the attractiveness of Pakistan's stock market for international investors is expected to stay intact on account of this growth potential.

Pakistani stocks expected to be included in MSCI's Emerging Markets Index are expected to stay strong and drive the market. The pace of second and third tier stocks may slow down but investors' interest in fundamentally strong scrips is expected to stay intact. Selective stock picking will be the key to attractive returns in the current market scenario where a strong growth has already been witnessed over the last three months mainly on account of excess liquidity deployment by the investors. The ongoing Panama case and the recently retrograding law and order situation may keep the stock market volatile in the short-term but our view stays positive on the market for long-term.

We would therefore encourage you to continue investing with Al Meezan through our professionally managed mutual funds in order to derive the benefit of an upside in the equity market. We thank you again for maintaining your faith in us for managing your investments and sincerely hope to remain as your top choice for Shariah Compliant investing.