



STOCK MARKET REVIEW AND OUTLOOK

Dear Investor,

The outgoing Fiscal Year 2018 (FY18) remained a volatile year for the stock market as the market ultimately registered its first annual negative return of -10% after eight fiscal years.

The lackluster performance of the index during the year was primarily attributable to macroeconomic concerns. Deteriorating current account balances and diminishing foreign exchange reserves were the chief determinants in painting a gloomy picture for Pakistan economy. Uncertainty pertaining to outcome of the FATF meeting and Pakistan's possible entry into Black list also deteriorated market sentiment.

Political scenario had also been overplayed as we observed market jitters following numerous political events during the year. However, some respite was witnessed on the political front after the timely set up of caretaker government and the certainty that General Elections will be held on time, paving the way for stability following the elections.

As we enter the new fiscal year, a number of positive developments are poised to drive the market. Amnesty Scheme announcement came as a major trigger after the Supreme Court gave its go ahead on the scheme during June. Anticipation of a better than expected response allowed the government to extend the Scheme for another month. The resulting tax receipts on account of declaration of assets are expected to increase the tax net and provide cushion to our depleting foreign exchange reserves. Amnesty Scheme will also serve as a much needed trigger for the stock market as fresh liquidity will be injected into the market.

On the economic front, PKR has been devalued to fair levels, the pretext on which talks with IMF can now be initiated. Subsequent to elections, the elected government will be able to take command of the reforms under an IMF program. As the immediate economic concerns are addressed and foreign exchange reserves start building up, the market can then turn its attention towards strong fundamentals and attractive valuations.

The market has been in a correctional phase for more than 13 months now. Since touching its record high in May 2017, it is currently down 25% with a forward P/E multiple hovering around 8, which is a significant discount compared to regional peers. From here on, the market is ripe for a recovery given the enticing valuations.

Going forward, Amnesty Scheme and timely General Elections are the expected positive triggers that shall pave the way for the market's rebound. Following the conclusion of both these events, market's attractive valuations will resurface and pose an ideal entry point for the investors. In light of the strong investment case for Pakistan, we encourage our investors to consider this correction as good point of entry.

Ground Floor, Block 'B', Finance & Trade Centre, Shahrah-e-Faisal, Karachi 74400, Pakistan.
UAN: (92-21) 111-633-926 (111-MEEZAN) Fax: (92-21) 35630808, Toll Free: 0800-HALAL (42525)
E-mail: info@almeezangroup.com WebSite: www.almeezangroup.com