

Economy News

Upcoming federal budget to likely dampen market sentiments

Capital Market | Negative

The Federal Budget 2019/20 announcement next week, which is likely to impose fresh taxes, may keep the capital market under pressure as its aim to increase the tax base and revenue collection. This would likely trim the profits of the companies. (The News) | [Click for more info.](#)

Pakistan's fiscal consolidation measures to revive economic growth: World Bank

Economy | Neutral

Pakistan is on the path of consolidation to tackle sizeable fiscal and current account deficits but the imbalances are expected to diminish slowly, said the World Bank on Friday. The bank estimates the country's GDP growth rate to reach 2.7 per cent in 2019-20. (Dawn) | [Click for more info.](#)

Money-laundering, terror-financing: FATF acknowledges Pak performance

Economy | Positive

The Joint Group (JG) of Financial Action Task Force (FATF) has acknowledged Pakistan's performance on some key areas to comply with the action plan in order to combat money-laundering and terror-financing but also identified some weak points where further improvement is required in months ahead. The JG of FATF has shared its mixed report with Pakistani authorities on the compliance report submitted by Islamabad during last month (May 2019) meeting held at China on key points out of total 27 action plans till its deadline. (The News) | [Click for more info.](#)

Govt to make working group to implement FATF's condition

Economy | Neutral

The government has decided to introduce a mechanism to monitor lawyers, chartered accountants, real estate and expensive stones' dealers, and all designated non-financial businesses and professions (DNFBPS) in line with the Financial Action Task Force (FATF) action plan. (ET) | [Click for more info.](#)

FBR seeks to raise ST up to 18 percent

Economy | Neutral

The Federal Board of Revenue (FBR) has proposed increasing sales tax across the board from 17 to 18 percent to generate Rs 100 billion as a component of meeting the additional revenue target of Rs 1.45 trillion. The increase or decrease in regulatory duties on imports/exports, across the board changes in customs duty/additional customs duty on imports and applicability of customs duty exemptions and concessions would be applicable from the next day of assent given to the Finance Act 2019 by the President, FBR sources added. (BR) | [Click for more info.](#)

Govt misses all key economic targets

Economy | Neutral

Pakistan's economic growth in the financial year ending in June is expected to hit 3.3 per cent, well below the target of 6.3pc set by the previous government, as the government has failed to meet targets in nearly all sectors, according to the Economic Survey. (Dawn) | [Click for more info.](#)

Inflation up 9.1% in May

Economy | Negative

In line with expectations, the inflation rate edged up to 9.1% in May, which raised questions over the SBP move to increase the key discount rate to 12.25% to meet a condition of the IMF. (ET) | [Click for more info.](#)

Pakistan Stock Exchange Overview

	Open	Close	Chg.	%
KSE All	26,155.5	25,892.8	-262.7	-1.0%
KSE100	35,974.8	35,505.3	-469.5	-1.3%
KSE30	17,155.6	16,787.7	-367.9	-2.1%
KMI30	58,233.7	56,531.8	-1701.9	-2.9%

Top Five Gainers

	Open	Close	Chg.	%
BATA	1,364.0	1,432.2	68.2	5.0%
ABOT	473.0	487.1	14.2	3.0%
JDWS	315.0	325.0	10.0	3.2%
GSKCH	215.5	223.1	7.6	3.5%
BIFO	167.3	174.5	7.3	4.3%

Top Five Volume Leaders

	Open	Close	Chg.	Vol.
BOP	11.2	10.6	-0.5	25.48
WTL	0.8	0.9	0.1	20.61
MLCF	23.9	23.6	-0.3	8.10
OGDC	134.0	130.9	-3.1	4.99
KEL	4.2	4.1	-0.1	3.70

Portfolio Investments – Net Position

FIPI	Buy	Sell	Net
F-Individuals	0.06	0.00	0.06
F-Corporates	5.69	-8.27	-2.58
O/S Pakistanies	0.99	-0.77	0.22
Net	6.75	-9.04	-2.29
LIPI			
Individuals	21.97	-20.99	0.99
Companies	2.61	-1.07	1.53
Comm. Banks	2.85	-1.25	1.60
NBFC	0.03	-0.07	-0.04
Mutual Funds	1.99	-4.57	-2.58
Other	0.09	-0.17	-0.08
Brokers Proprietary	5.24	-7.23	-1.99
Insurance	5.50	-2.64	2.86
Net	40.28	-37.99	2.29

Source: NCCPL

Commodity Outlook

	Unit	Close	% chg.
Crude oil	USD/bbl.	54.25	0.5%
Brent oil	USD/bbl.	63.47	0.3%
Gold	USD/t oz.	1330.36	-0.8%
Silver	USD/t oz.	14.82	-1.3%
Coal	USD/ton	64.40	1.7%
Steel Scrap (LME)	USD/ton	297.00	-0.7%
Steel Rebar (LME)	USD/ton	472.00	-0.8%
USD/PKR	Interbank	148.24	-0.7%

Source: Bloomberg/SBP

News Source: Local / Int'l Newspapers and websites

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Over Rs 100 billion borrowed through sale of T-Bills

Economy | Neutral

The federal government has borrowed over one billion rupees through auction of short term government papers for fiscal deficit. The State Bank of Pakistan (SBP) conducted on June 3, 2019, for the sale of 3-month, 6-month and 12-month Market Treasury Bills (MTBs). (BR) | [Click for more info.](#)

Oil & Gas

Pakistan seeks 240 LNG cargoes

Economy | Neutral

Pakistan LNG Ltd, a subsidiary of state-owned Government Holdings Ltd, is seeking to buy 240 liquefied natural gas (LNG) cargoes for delivery over a 10-year period, a document on the company's website showed. It is seeking two cargoes a month of 140,000 cubic metres each of the super-chilled fuel on a delivered ex-ship basis (DES) at Port Qasim in Karachi. (Dawn) | [Click for more info.](#)

Power

Shanghai Electric to finally acquire K-Electric this year

KEL | Neutral

China's state-owned Shanghai Electric Power (SEP) is expected to finally acquire K-Electric from the financial crisis-hit Dubai-based Abraaj Group in the middle of the second half of 2019. (ET) | [Click for more info.](#)

Cement

Cement cost set to go up after federal budget

Cement | Neutral

The cement cost is going to high further from July after another increase in federal excise duty, hike in fuel prices and higher customs duty on the import of coal being announced in the federal budget 2019-20. According to cement industry experts, the revenue shortfall gap of the FBR is being planned to bridge through imposition of the new taxes of over Rs125 billion per annum though the cement companies have already been contributing more than 65 percent in annual GST collection in FY 2017-18. (BR) | [Click for more info.](#)

Fertilizer

TCP seals urea import deal

Fertilizer | Neutral

Following the directives of the federal government, the state-run grain trader has finalized the deal for the import of 100,000 tons of urea to avoid shortage in the domestic market. Some nine international suppliers participated in the tender of the Trading Corporation of Pakistan (TCP) for supply of 100,000 tons (10 percent more or less at seller's option) urea fertilizer in bulk through import from worldwide sources on Cost and Freight (C&F) opened on May 17, 2019. Out of nine bidders two submitted regret letters, while the remaining seven quoted prices ranging from \$ 301.70 to \$ 309.91 per ton. (BR) | [Click for more info.](#)

Banks

Sindh Bank – Summit Bank merger called off

SMBL | Neutral

In the letter submitted to the PSX, it was said that that the SMBL has been informed by the SNBL that the Board of Directors of Sindh National Bank had resolved that the merger proposal between the two banks is not advisable in the present circumstances. It was further requested that the TRE Certificate Holders of the Exchange be informed accordingly. (PT) | [Click for more info.](#)

World Indices

	Last	Chg.	Chg. %
US - Dow 30	25,983.9	263.28	1.02%
KSA - Tadawul	8,699.2	182.74	2.15%
INDONESIA - IDX	6,209.1	105.01	1.72%
INDIA - SENSEX	39,615.9	86.18	0.22%
HK - Hang Seng	26,965.3	69.84	0.26%
US - S&P 500	2,873.3	29.85	1.05%
PHILP - PSEi	7,984.0	24.12	0.30%
CHINA - Shanghai	2,827.8	-33.62	-1.17%
Taiwan - TWII	10,409.2	-52.42	-0.50%
PAK (KSE-100)	35,505.3	-469.50	-1.31%

Source: Bloomberg

Board Meetings

Scrip	Day	Agenda	Time
JOVC	MONDAY	Ann A/c Jun-30, FY'18	4:00 PM

Source: PSX Announcement



High interest rates choke off business borrowing

Economy | Negative

The private sector is becoming increasingly averse to bank borrowing with successive interest rate hikes, a development that could portend further slowdown in the economy. In the same period last year the private sector picked up Rs558 billion in credit whereas this year the figure has dropped to Rs552bn. This decline comes despite a massive 30pc devaluation in the one-year in between and a sharp spike in inflation. (Dawn) | [Click for more info.](#)

Textile

Govt has no option but to slap at least 7.5% GST

Textile | Negative

The pre-budget talks between the government and industrialists on contentious issue of withdrawal of tax concessions and energy subsidies have ended, as tax authorities claim to gain some ground due to a rift between exporters and local suppliers. The government of Prime Minister Imran Khan has no option but to slap at least 7.5% General Sales Tax at manufacturing stage to end abuse of zero tax facility for exporters of five sectors and meet a key condition of the International Monetary Fund (IMF). (ET) | [Click for more info.](#)

Govt warned of 30pc decline in exports

Economy | Negative

Exporters on Tuesday warned the government of a staggering 30 percent decline in exports in a year if it abolishes zero-rated tax status for the export-oriented industries. (The News) | [Click for more info.](#)

Miscellaneous

Refund bonds worth Rs7 billion issued

Pending tax refunds of multinationals swell to Rs64 billion

Economy | Neutral

Outstanding tax refunds of multinationals have piled up to Rs64 billion, impeding corporate business activities in Pakistan with the taxation policy focused only on organised and documented sector, the head of their representative body said. (The News) | [Click for more info.](#)

Arif Habib boards approve share buybacks

AHCL, AHL | Positive

The board of directors of Arif Habib Corporation Ltd (AHCL) and Arif Habib Ltd (AHL) in separate meetings approved buy-back of shares of their respective companies through tender offer. (Dawn) | [Click for more info.](#)

Govt plans to remove advance tax on tobacco in next budget

PAKT | Neutral

The government plans to remove the Advance tax on tobacco in the upcoming Federal Budget 2019 – 2020. The Advance tax of Rs300 per kg is applicable only on the tobacco that enters the Green Leaf Threshing (GLT) plant. All manufacturers who purchase tobacco from farmers must process tobacco through GLT before it can be used for manufacturing of cigarettes. (The News) | [Click for more info.](#)

Property valuation rates, market rates to be equal

Economy | Neutral

The Federal Board of Revenue (FBR) has decided to jack up the valuation rates of properties for different cities in the upcoming budget for 2019-20 to bring it at par with the market rates. (The News) | [Click for more info.](#)



FBR authorized to get information from banks

Economy | Positive

The first batch of withholding data from all banks will be made available to the FBR in the third week of ongoing month that will be used into databank developed with the help of Nadra to broaden the narrowed tax base. (The News) | [Click for more info.](#)

Date of filing IT returns extended till June 30

Economy | Neutral

To encourage people to file returns under Assets Declaration Ordinance 2019, the Federal Board of Revenue (FBR) has extended date of filing of income tax returns/statements for the tax year 2018 up to June 30, 2019. (BR) | [Click for more info.](#)

Prime Minister to address nation today

Economy | Neutral

Prime Minister Imran Khan will address the nation today (Monday) at 9am. Aaj News reported Sunday night that Pakistan Television (PTV) will broadcast PM's address. Prime Minister will give an important message to the nation. He will also take the nation into confidence over his economic vision and forthcoming budget. (BR) | [Click for more info.](#)

Government seems to have failed on all economic fronts

Economy | Negative

The Pakistan Tahreek-e-Insaf government led by Prime Minister Imran Khan which announced to bring change during its first 100 days after coming into power, failed on all economic fronts and achieved only 3.3 per cent GDP growth against the target of 6.2 per cent, nearly 47 per cent less than the target for 2018-19. This will be formally recognised by the Prime Minister's Advisor on Finance, Economic Affairs and Revenue, Dr Abdul Hafeez Shaikh while unveiling Economic Survey of 2018-19 on Monday (today). (BR) | [Click for more info.](#)

12th Five Year Plan: Govt targets 5pc growth in GDP

Economy | Neutral

The government has envisaged average GDP growth rate of 5 percent, increasing exports from \$24.8 billion to \$34 billion, curtailing imports at \$65 billion and creation of 10 million jobs during tenure of PTI-led regime under 12th Five Year Plan from 2018 to 2023. (The News) | [Click for more info.](#)

Health tax on cigarettes, carbonated drinks approved

Economy | Neutral

Official document reveals that the meeting presided over by the Prime Minister Imran Khan decided also made the decision that health tax on tobacco @Rs 10 on per pack of 20 cigarettes and on carbonated drink @Rs 1/20ml bottle through Finance Bill would be imposed. (BR) | [Click for more info.](#)

Political News

Pakistan invites India to table again

Islamabad has made a fresh offer to New Delhi to resolve issues through dialogue, with both Prime Minister Imran Khan and Foreign Minister Shah Mehmood Qureshi writing letters to their Indian counterparts stressing the need for peace in the region. (ET) | [Click for more info.](#)

PPP set to finalise people outreach drive today

The Pakistan People's Party is set to finalise its "Awami Rabta Mohim" (People Outreach Campaign) today (Monday) aiming to launch anti-government movement inside and outside the Parliament. (The News) | [Click for more info.](#)



International News

Stocks Gain, Treasury Yields Rise, Yen Retreats: Markets Wrap

Asian stocks and U.S. equity futures climbed on Monday after President Donald Trump suspended his plans for tariffs on Mexico. Treasuries dropped and the yen retreated as demand for havens sank. (Bloomberg) | [Click for more info.](#)

Oil prices rise on likelihood of ongoing OPEC+ supply cuts

Oil prices rose on Monday after Saudi Arabia said producer club OPEC and Russia were likely to keep withholding supplies, and in relief that the United States and Mexico averted a trade war that would have damaged the global economy. (Reuters) | [Click for more info.](#)



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Rating Criteria

Rating - Expected Total Return
Buy - Greater than 10%
Hold - Neither Buy nor Sell
Sell - Less than and equal to -10%

Valuation Methodology

To arrive at our 12-months Price Target, ABA Ali Habib Research uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology. In this report, our PT is founded on FCF based DCF methodology.

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