

Planning Commission
Ministry of Planning, Development and Special Initiatives
Economic Policy Wing
Money, Prices and Fiscal Policy Section

Review of

Capital Market Developments- I

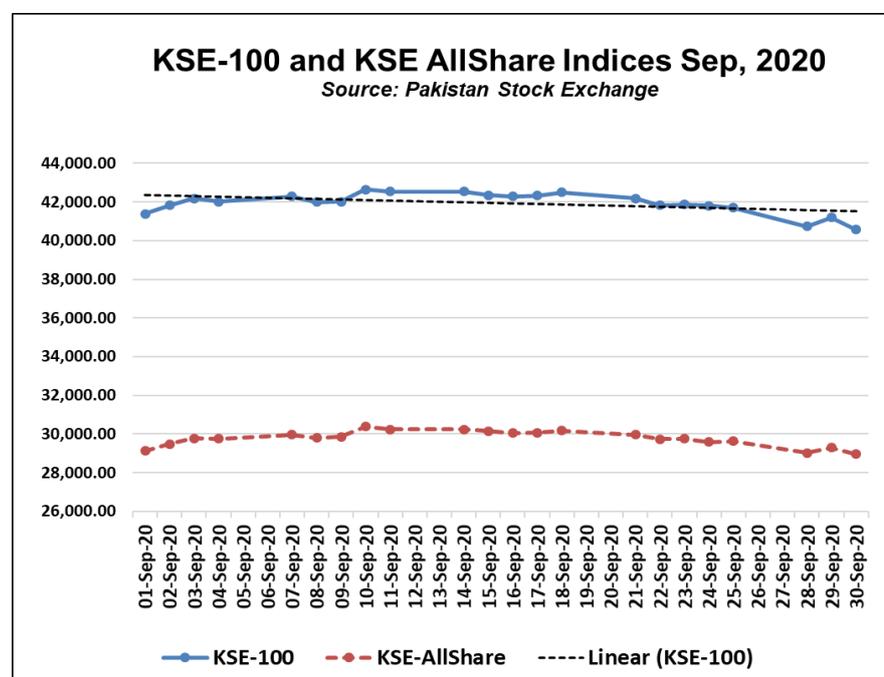
(September-2020)

Performance of KSE Indices

Pakistan Stock Exchange (PSX) witnessed a slow performance during September, 2020 as compared to the previous month. The benchmark KSE-100 index closed at **40,571.48** by losing **539.45** points (**1.31%**) as compared to previous month, while KSE-All Shares index closed at **28,969.98** by gaining **8.99** points (**0.03%**). The KSE-100 reported maximum and minimum of 42,647.35 and 40,571.48 points respectively. Average traded value and volume of PSX were recorded at Rs. 18.38 Bln and 603.39 Mln shares for the month of September, 2020. The average of KSE-100 in September 2020 was 41,945.80 points.

Main events of the month included improvement in external accounts, increasing foreign exchange reserves, decrease in international oil prices, launch of Roshan Digital Account for overseas Pakistanis, decline in Covid-19 active cases, passage of the Financial Action Task Force Bill, World Bank's International Centre for Settlement of Investment Disputes (ICSID) decision to grant a stay order against the enforcement of penalty amounting to \$6bn in the Reko Diq case, news of expected gas shortage in winter, ongoing negotiations between IPPs and the government over power contracts, and rejection of bail in money laundering case of the Leader of Opposition.

Graphical representation of KSE-100 and KSE-All Share index during September, 2020 is depicted below:

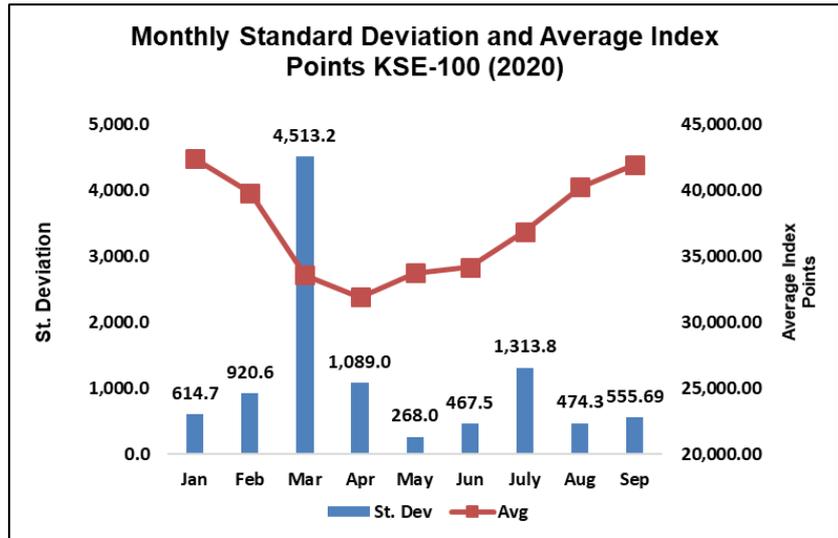


Highlights

- KSE-100 index **lost 539.45** points (**1.31%**) as compared to the end of previous month.
- KSE-100 showed a steeply upward trend for 1st, 2nd weeks of the month.
- Performance during 3rd and 4th week was sluggish as they lost 25.91 and 803.53 points respectively.
- The **average of KSE-100** in September 2020 was **41,945.80** points.
- Average traded value and volume of PSX were recorded at Rs. 18.38 Bln and 603.39 Mln shares for the month of September, 2020.
- Market capitalization exhibited overall downward sloping trend with **loss of Rs. 7.28 Bln (0.09%)** on month-on-month basis to reach Rs. 7,643.09 Bln by end of September, 2020.
- **NIKKEI 225** registered the highest gain of 45.36 points (0.20%).
- **HANG SENG-HK** showed most losses 1,718 points (6.82%).

KSE-100 Monthly Average and St. Deviation Jan-Jul 2020

The standard deviation of the KSE-100 Index for the past nine months has shown high variation. However, the standard deviation values for the months of July and September have shown considerable relative change in the period Jan-September, 2020, where the value for the month of September has increased to 555.69 as compared to 474.3 in August 2020. This implies steady increased level of riskiness in the equity markets.



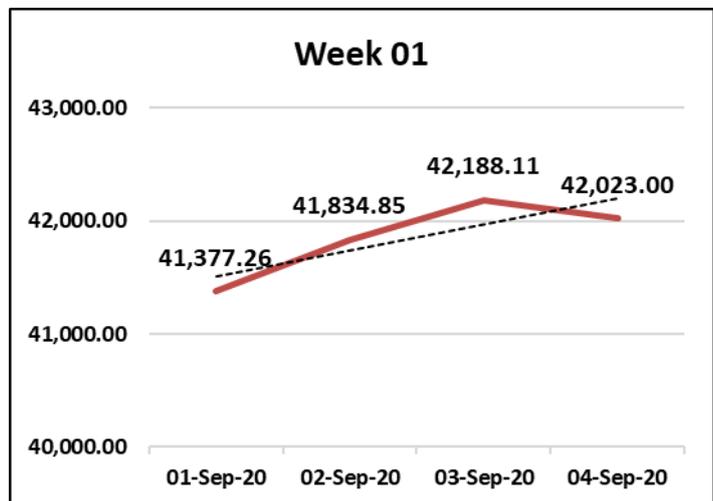
The average values of KSE-100 of each month displayed at the secondary axis of the above diagram reveals that there is an increase in the average from June to September 2020 which shows better performance at the bourse in this month. It posited an average of 41,945.80 points which was 1,699.62 points (4.22%) more than the average of August, 2020, showing an impressive increase. It is a welcoming signal for the month of September, 2020 as a downward trajectory in average scores had gripped the markets since the end of April, 2020.

WoW Basis Analysis

The performance of the Pakistan Stock Exchange (PSX) on weekly basis during September, 2020 is outlined as follows:

1st Week:

The first week of September, 2020 witnessed an upward trend in the KSE-100 Index and closed with a gain of 966.78 points (2.35%) and 941.06 points (3.26%) at KSE-AllShare Index to settle at 42,023.00 and 29,748.90 points respectively. While the average traded value and volume of this week were recorded at Rs. 24.8758.08 Bln and 818.4825 Mln shares respectively.

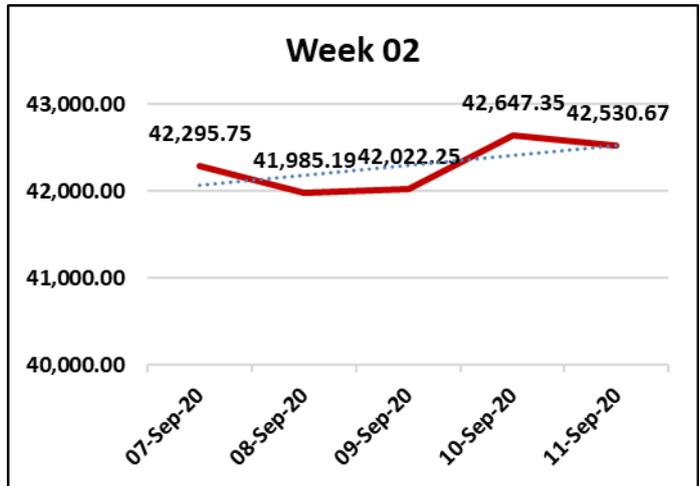


In the opening session of the first week, the stocks gained owing to interest of individuals and institutions in the stock market as compared to the other financial portfolios, giving the bourse credible liquidity and trust. Liquidity shift was observed from fixed income assets to equities triggered by low interest rates in the country. The market set new record on Wednesday with the volume that jumped to a staggering 919m shares, which represented over a 15-year high turnover. Besides nearly an end to the Corona-19 active cases that helped the economy to open up, the CPI for August released during the week at 8.21pc, compared to 9.21pc in July, put more confidence in the investors who started to visualise the growth in economy with optimism. Improving external accounts, foreign exchange reserves and the rupee appreciating against at Rs165.77 (as reported on 3rd September, 2020) to a US dollar also kept the sentiments positive. Furthermore, oil sales in August witnessed a jump of 21pc. The havoc caused by

record rainfall and flash floods that inundated industrial units did nothing to spoil the investor sentiments.

2nd Week:

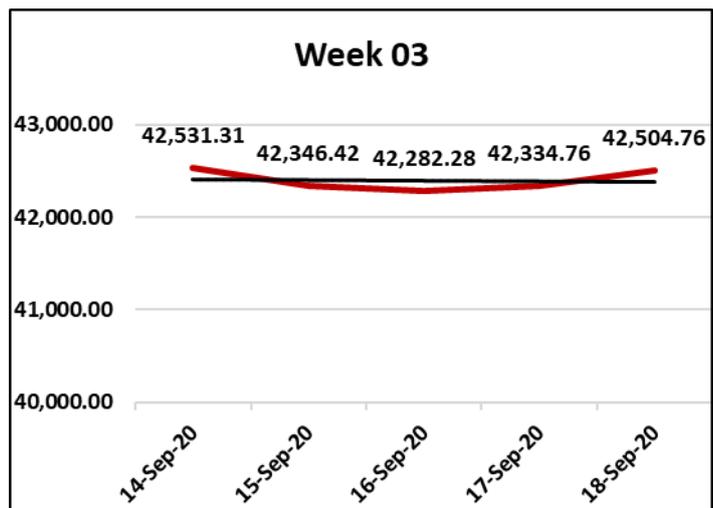
The second week of September, 2020 displayed a downward trend initially but climbed up by middle of the week. The week closed with gain of 507.67 points (1.20%) for KSE-100 and gain of 497.31 points (1.67%) at KSE-AllShare Index to settle at 42,530.67 and 30,246.21 points respectively. While the average traded value and volume of this week were recorded at Rs23.536 Bln and 526.19 Mln shares respectively.



The second week started off on a positive note as investors showed considerable interest in cement, steel, automobiles, refineries, and oil marketing sector on account of improvement in growth prospects given revival of economic activity. On Tuesday, a decline was witnessed in the index attributable to pressure on global equities and decrease in international oil prices which resulted in selling pressure. However, negative performance remained short-lived as the high court granted a stay order in favour of fertiliser manufacturers who are eligible for concessionary gas regime under the fertiliser policy of 2001. Other than that, the launch of Roshan Digital Account for overseas Pakistanis also spurred buying. Profit-taking was seen on Friday as investors decided to stay on the side of caution in carrying over heavy positions over the weekend. Improvement on macroeconomic front and decline in Covid-19 active cases that has enabled the economy to open up along with lower yields on fixed income instruments have made equities the preferred asset class.

3rd Week:

During third week of September, 2020 the KSE-100 index lost 25.91 points (0.06%) on WoW basis, and loss of 79.20 points (0.26%) was seen at KSE-AllShare Index; both indices settled at 42,504.76 and 30,167.01 points respectively. While the average traded value and volume of this week were recorded at Rs 15.671 Bln and 537.348 Mln shares respectively.

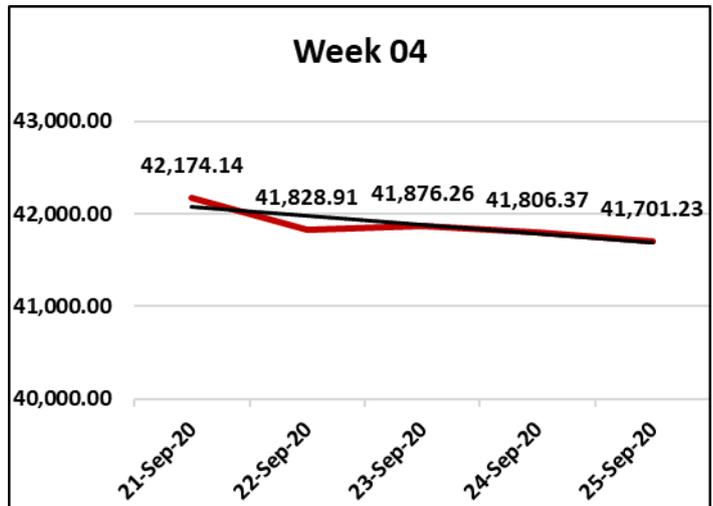


In the third week, investor sentiments were boosted by the passage of the Financial Action Task Force Bill by the joint session of parliament that provided support to the index which was on the slide on Tuesday and Wednesday. Another key highlight of the week was World Bank's International Centre for Settlement of Investment Disputes (ICSID) decision to grant a stay order against the enforcement of penalty amounting to \$6bn in the Reko Diq case, taking some pressure off participants' minds who were worried over the heavy potential liability. International oil prices discouraged energy shares early in the week. Positive news flow during the week included increase in remittances to Pakistan jumping by 31pc year-on-year to \$4.9bn in July August and surge in Foreign Direct Investments by 40pc to reach at

\$226.7m for period July-Aug. Moreover, SBP`s net reserves increased by \$13m to rise to the level of \$12.8bn while large scale manufacturing rebounded by 5.02pc in July.

4th Week:

In the fourth week of September, 2020 the Pakistan stock market lost 803.53 points (1.89%) at KSE-100 and 530.90 points (1.75%) at KSE-AllShare Index to settle at 41,056.22 and 28,807.84 points respectively. While the average traded value and volume of this week were recorded at Rs. 41,701.23 Bln and 29,636.11 Mln shares respectively.



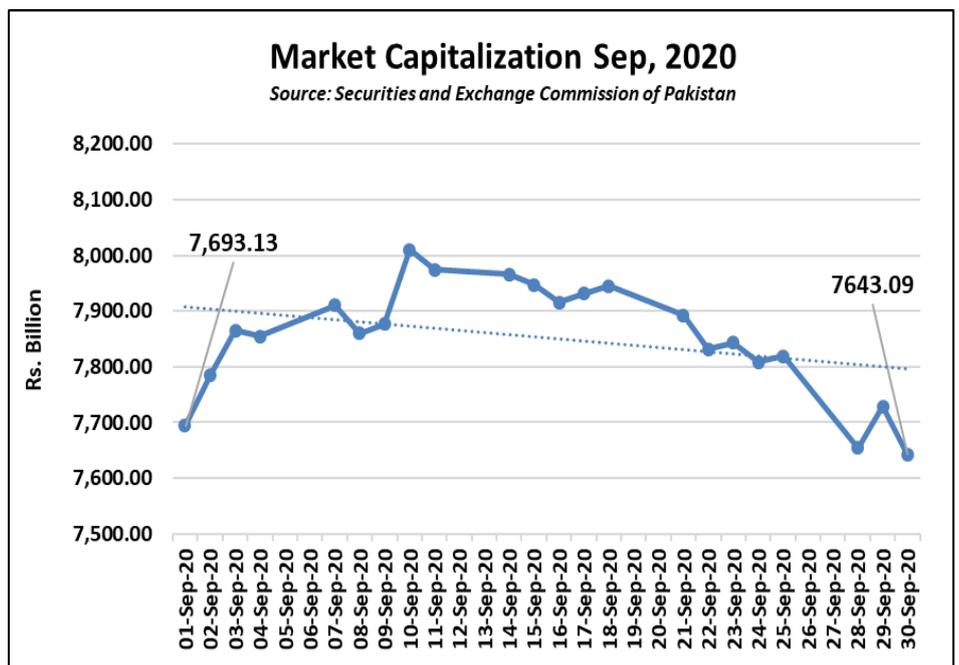
Major reasons were: fierce debate over the opposition`s All Parties Conference that had taken place at the close of the preceding week; slight upsurge in Covid-19 cases that further dampened investor sentiments; heavy load-shedding impacting production lines of industrial units; news of expected gas shortage in winter by the government; Competition Commission of Pakistan (CCP) raid on premises of All Pakistan Cement Manufacturers` Association in a search operation, and ongoing negotiations between IPPs and the government over power contracts.

Last Three Trading Sessions for September, 2020:

The stock market plunged deeply on 28th September, 2020 losing a significant 960.28 points due to rejection of bail in money laundering case of the Leader of Opposition. There was a heavy capital flight of foreign portfolio investment and sell-off by mutual funds. This trend did not continue to the next trading day (29th September, 2020) and landed the market in greens with gain of 463.41 points. However, the trend was dramatically reversed the very next day (30th September, 2020) when the market was seen to lose 632.88 points owing to foreign selling, and the news of initiating micro smart lockdown in selective spots in Karachi to contain the increased cases of Corona-Virus dampened investor enthusiasm.

Update on Market Capitalization

Market Capitalization for the month of September 2020 experienced a downward trend, in congruence with the trend at the bourse. The month began with Mkt Cap at Rs. 7,693.13 Bln and **lost Rs. 7.28 Bln (0.09%)** on month-on-month basis to reach Rs. 7,643.09 Bln by end of September, 2020. Mkt Cap reported maximum and minimum of Rs. 8,009.58 and 7,643.09 Bln respectively. The



average of Mkt Cap in September 2020 was Rs. 7,852.45 Bln.

Global Stock Market Comparisons

During the month under review, the world stock market indices showed a negative overall trend, registering loss for major stock markets around the world, except NIKKEI 225.

NIKKEI 225 registered the highest gain of 45.36 points (0.20%). KSE-100 (1.31%) and SENSEX 30-BSE (1.45%) posed the least losses out of the selected indices. HANG SENG-HK (6.82%), SSE Composite Index (5.23%) and NASDAQ 100 (5.16%) showed most losses for the month end.

The table below presents percentage change in the leading world stock market indices from end August, 2020 to end September, 2020.

Trends in World Stock Market Indices (September-2020)					
Index (Month End)	Country Name	31-08-20	30-09-20	Change Δ	% Δ
NIKKEI 225	Japan	23,139.76	23,185.12	45.36	0.20
KSE-100	Pakistan	41,110.93	40,571.48	-539.45	-1.31
SENSEX 30-BSE	India	38,628.29	38,067.93	-560.36	-1.45
FTSE 100 INDEX	United Kingdom	5966.3	5,872.15	-94.15	-1.58
MOEX Russia Index	Russia	2,966.20	2,905.81	-60.39	-2.04
DOW JONES	USA	28,430.05	27,781.70	-648.35	-2.28
S&P 500 INDEX	USA	3,500.31	3,363.00	-137.31	-3.92
NASDAQ 100	USA	11,775.46	11,167.51	-607.95	-5.16
SSE Composite Index	China	3,395.68	3,218.05	-177.63	-5.23
HANG SENG-HK	Hong Kong	25,177.05	23,459.05	-1,718.00	-6.82

Conclusion:

The month of September 2020 registered overall slow and negative position at the bourse with markets closing in gain for first two weeks only. The third and fourth weeks exhibited losses which were exacerbated by the closing sessions on 28th and 30th September, 2020. The market crossed the 40,000-index point threshold for all trading days of September, 2020. The linear trendline sloped downward and the market lost approximately 29.30 points on daily basis. The KSE-100 Index posited an average of 41,945.80 points which was 1,699.62 points (4.22 %) more than the average of August, 2020 showing a considerable increase. Average traded value and volume of PSX were recorded at Rs. 18.38 Bln and 603.39 Mln shares for the month of September, 2020. However, KSE-100 lost less points as compared to leading world indices, when HANG SENG HK and SSE Composite Index were seen to plunge deeply in red followed by NASDAQ 100 and S&P 500 Index. Main events of the month included improvement in external accounts, increasing foreign exchange reserves, decrease in international oil prices, launch of Roshan Digital Account for overseas Pakistanis, decline in Covid-19 active cases, passage of the Financial Action Task Force Bill, World Bank's International Centre for Settlement of Investment Disputes (ICSID) decision to grant a stay order against the enforcement of penalty amounting to \$6bn in the Reko Diq case, news of expected gas shortage in winter, ongoing negotiations between IPPs and the government over power contracts, and rejection of bail in money laundering case of the Leader of Opposition.