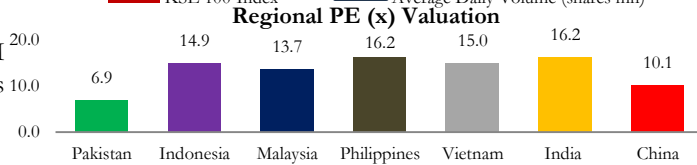
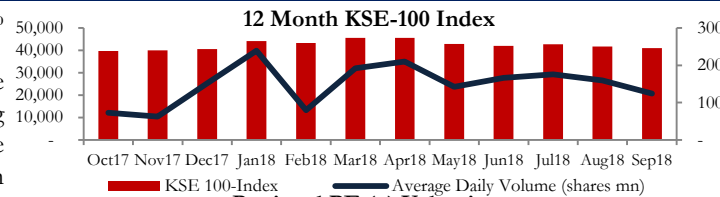


Stock Market

- The KSE-100 Index ended at 40,998 pts in September 2018 falling 1.8% MoM.
- Major reason for negative performance across the board was due to the expected hike in natural gas prices for industrial sectors. The engineering sector was down 11.9% MoM on poor annual results whereas automobile sector was down 7.0% MoM on uncertainty over the imposition of ban on non-filers to book/purchase new vehicles.
- Cement and chemical sector were down by 6.8% and 3.4% MoM respectively due to expectations of hike in policy rate by 100bps which was announced on September 30.
- Average volumes declined 21.8% MoM to 124mn shares.
- Foreign selling persisted for another month with a net outflow of USD 57.9mn in September 2018 (August 2018: USD 70.4mn).
- KSE 100 currently has a P/E multiple of 6.9, indicating the market is trading at a significant discount to regional economies.



Best & Worst Performing Stocks of the Month

Company	Opening Price	Closing Price	Change
POL	540.4	549.2	2% +ve
MLCF	52.5	47.1	-10% -ve

Currency Markets

- The PKR ended the month marginally ~1% MoM stronger as it battles a spiraling trend since SBP's decision to start currency devaluation and check rising interest rates.
- A 25bps increase in US interest rates by the end of September 2018 was largely to account for a negligible movement of USD against EUR and GBP.
- CNY depreciated against USD owing to persisting trade tensions between the two largest global economies with US imposing tariffs on USD 200bn worth of Chinese imports.
- SAR and AED depreciated by 1.03% MoM matching decrease of USD against PKR, with both currencies being pegged to the USD.

Pakistan Rupee Monthly Performance

Currency	Open Rate	Close Rate	Change
USD	124.53	123.25	-1.03%
GBP	161.35	160.68	-0.41%
EUR	144.56	143.05	-1.04%
SAR	33.21	32.87	-1.03%
AED	33.91	33.56	-1.03%
CNY	18.24	17.94	-1.61%

Commodity Markets

- International gold prices declined ~1% MoM due to a strengthening US economy. Local gold prices witnessed a decline of ~2.1% owing to the relative strengthening of the PKR as well as general decline in international gold prices.
- WTI increased 4.9% MoM as Opec members (KSA and Russia) refused to increase crude oil production. Oil prices also increased owing to US re-imposing sanctions on Iran. The GoP reduced the sales tax levy and kept the petroleum prices unchanged for the month.
- Total cement dispatches were recorded at 3.81 mn tons in September, up 10% MoM and 19% YoY. Of these local and export dispatches were 2.74 mn tons (75%) and 1.06 mn tons (15%) respectively. Local dispatches are down by 5% and export dispatches are up by 91% MoM respectively.
- Cotton prices remained under pressure during the month due to uncertainty in the global commodity market, along with falling cotton prices due to US-China trade war. Domestic prices followed the international trend declining by 1.2% MoM.
- Urea prices decreased by 0.5% MoM with the anticipation that government may provide incentives to fertilizer sector.

Key Commodities Monthly Price Movement

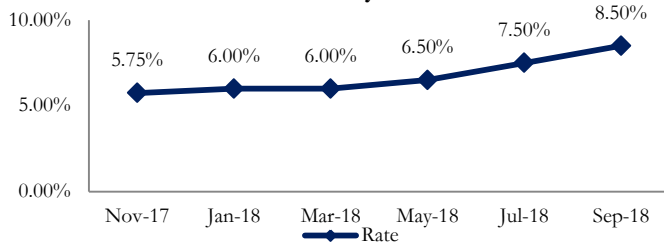
Commodity	Description	Opening Price	Closing Price	Change
Gold	24 Karat (PKR/Tola)	56,031	54,844	-2.1%
Silver	(PKR/Tola)	678	662	-2.4%
Crude Oil (US)	(USD/bbl). NYMEX	69.8	73.3	4.9%
Furnace Oil (HS)	(PKR/Ton)	79,964	80,812	1.1%
High Speed Diesel	(PKR/Ltr)	106.6	106.6	0.0%
Motor Spirit	(PKR/Ltr)	92.8	92.8	0.0%
Cement (Avg.)	(PKR/Bag)	580	567	-2.2%
Cotton	(PKR/Maund)	8,260	8,160	-1.2%
Urea	(PKR/Bag)	1,656	1,647	-0.5%

News Highlights

- Pakistan's FM was on official visit to US to rebuild strained bilateral relations and also attend the 73rd UNGA session.
- US secretary of state visited Islamabad on September 6 and become the first foreign leader to visit Pakistan post General Elections 2018.
- PM Imran Khan made his first foreign visit to KSA to strengthen bilateral relationships and signed three agreements.
- PITP's candidate Dr. Arif Alvi was elected as the 13th President of Pakistan on September 5.
- The newly elected government announced a revised budget with government reversing income tax reductions announced by the outgoing government and taking measures to reduce development budget.

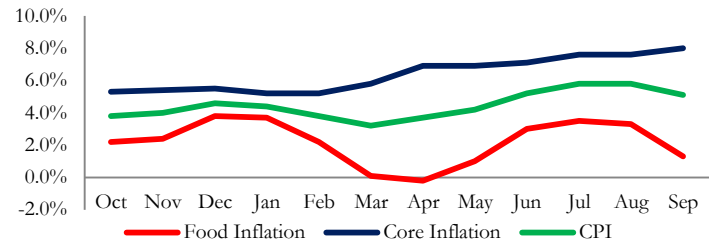
Economy of Pakistan

SBP Policy Rate



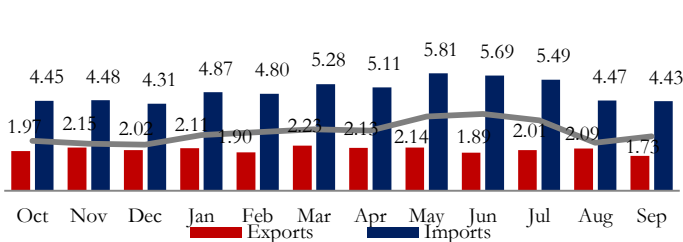
- The SBP increased the policy rate by 100 bps to 8.5% as per September MPS. The SBP's decision to stem from a need to curb aggregate demand and ensure near-term stability, impacted by a deteriorating foreign exchange reserve position and a gaping current account deficit.

Inflation



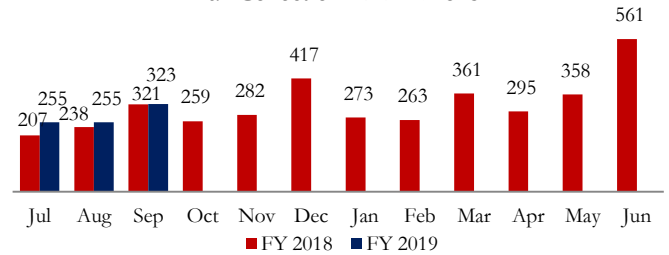
- CPI for the month of September was recorded at 5.1%, down from 5.8% recorded in the previous month. Food inflation was recorded at 1.3%, down from 3.3% in August 2018. Core inflation increased for the month of September 2018 to 8.0%. The GoP has set an average FY 19 inflation target of 6%, however it seems unlikely to be met with a 1.7% depreciation in PKR vs USD.

Imports and Exports USD Billions



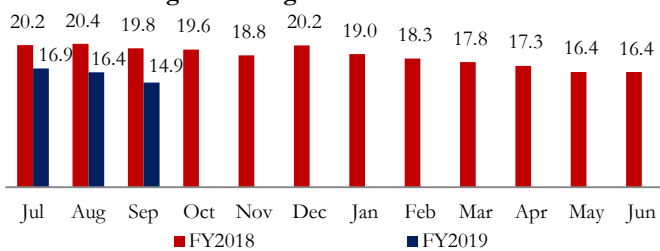
- Pakistan's exports during September were recorded (provisionally) at USD 1.73 bn, down by 17.2% MoM. Imports decreased to USD 4.43 bn (provisionally) down by 0.8% MoM. Imports have declined by over USD 1.06bn since July 2018. Trade deficit was recorded (provisionally) at around USD 2.70 bn, up by 13.6% MoM.

Tax Collection PKR Billions



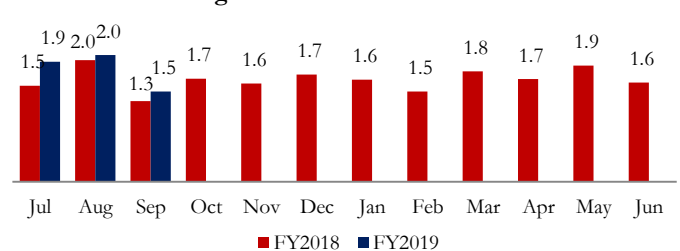
- The FBR reported provisional revenue collection at around PKR 323 bn in September 2018, 0.6% higher YoY. As per budget GoP's revenue collection target has been set at PKR 4,398 bn for FY19, which is 6% higher than FY18's revenue collection of PKR 4,147 bn. The GoP has managed to achieve 19% of the target revenue collection in the first quarter of FY19 which is 9.1% higher than corresponding quarter of the last fiscal year.

Foreign Exchange Reserves USD Billions



- Forex reserves stood at USD 14.9 bn at the end of September 2018 (down by 9.0% MoM) and lower by 24.7% YoY. Reserves held with the SBP were USD 8.4 bn (down by 14.9% MoM) and with commercial banks USD 6.5 bn (down by 2.9% MoM). Maintenance of adequate forex reserves is a critical challenge for the new government as it battles a burgeoning current account deficit.

Foreign Remittances USD Billions



- Overseas remittances during September amounted to USD 1.5 bn, down by 28.7% MoM and up by 12.2% YoY. The largest inflows were reported from KSA (USD 360 mn), UAE (USD 301 mn) and the USA (USD 231 mn).