

Cyclicals to keep PSX ticking; GIDC may weigh

Stocks are seen going the distance driven by cyclical and autos; however, industries that are going to take a hit by Gas Infrastructure Development Cess (GIDC) might prove a drag amid economic concerns, dealers said.

Pakistan Stock Exchange's KSE-100 shares Index surged 0.66 percent or 261 points to end at 40,291 points week-on-week, closing positive for the eighth consecutive week since January 2017.

The KSE-100 index breached 41,000 points level and then slipped below 40,000 points. It made a week high of 41,118 points and a low of 39,898 points.

Muhammad Saeed Khalid, head of research at Shajar Capital, said, "We believe the impact of the GIDC decision will likely keep the benchmark index on the down side".

While renewal of oil facility with Saudi Arabia might prove a crucial factor for the index to move above 42,000 points level, Khalid said.

Brokerage Arif Habib Limited said, "We expect the market to remain green especially cyclical sectors including cement, steel, textile and automobile sectors amid notable improvement in macros including quick recovery in exports".

Furthermore, reduction in trade deficit, stable rupee, drastic increase in industrial output (majority companies operating at maximum capacity) and lower inflation expectation were likely to keep the stocks buoyed, the brokerage said. Daily average volumes and traded value for the outgoing week were down 9 percent and 14 percent to 581 million shares and \$125 million, respectively.

Brokerage BMA Capital Management in its weekly analysis said, "Improving macroeconomic variables, a declining trend in COVID-19 cases, stability in rupee against the dollar and improving profitability outlook for FY21 will keep interest alive in the market," the BMA report said.

"However, in the near term, we expect E&Ps (exploration and production) and banking sector to perform better than other sectors. Any dip in the market should be considered as an opportunity to accumulate fundamentally strong scrips," the brokerage added.

In the outgoing week foreign buying clocking in at \$8.7 million compared to net buying of \$3.7 million last week.

Buying was witnessed in cement (\$4.3 million) and fertilisers (\$2.7 million).

On the domestic front, major selling was reported by banks/DFI (\$10.7 million) and insurance companies (\$5.4 million).

During the week, Moody's Investor Services maintained "stable" outlook for Pakistan.

Whilst unchanged outlook contributed to enthusiasm, news of diplomatic spat between Pakistan and Saudi Arabia, the negative impact of imposition of GIDC on the gas consuming industries, deal between the government and the IPPs and general profit taking kept index performance in check.

Following the top court verdict on GIDC, companies in sectors such as fertiliser, chemical, and cement witnessed profit-taking as it will weigh on the cash flows for these firms.

Apart from this, in the last few trading hours of the week, news of a potential settlement between the IPPs and the government mounted pressure on listed IPPs, especially the ones falling under the ambit of 2002 Power Policy.

Contribution to the upside was led by power generation and distribution (261 points), oil and gas exploration companies (97 points), oil and gas marketing companies (92 points), commercial banks (86 points), and textile composite (29 points).