

August 21, 2009

Pakistan**Volumes dull as SBP rate cut fails to draw investors****WEEKLY REVIEW**

Much awaited monetary policy announcement failed to lure investors to the market this week, as the benchmark KSE 100 index closed the week at 8,108 level, up 1.2%WoW. The week also saw Moody's upgrading Pakistan's local and sovereign bond ratings outlook to stable from negative, highlighting improving economic fundamentals. Investors now keenly wait on developments regarding margin financing, expected to be introduced soon.

Interest rate cut fails to lure investors

SBP announced the much awaited monetary policy last weekend, cutting the key policy rate by 100bps to 13%. The cut came in below market expectations and failed to draw investors to the bourse, which was visible in average daily volumes - recorded at 119mn, down 39%WoW. Interestingly, SBP announced a change in frequency of monetary policy decisions from four to six times a year; which we believe is an important development as it will allow the central bank to be more proactive in its approach.

Key developments on margin financing front

Further developments regarding a margin financing product were made during the week, with the 'trading affairs committee' to discuss the approval of a leverage product. Earlier, SECP had approved the concept paper on margin financing which according to reports could be introduced in the market as early as next week.

Net foreign buying of US\$10mn

Foreigners continued their buying spree at the bourse, buying shares worth US\$18mn while selling shares worth US\$8mn, resulting in net buying of US\$10mn. Foreigner's net investment at the bourse has now reached US\$60mn since the beginning of the fiscal year.

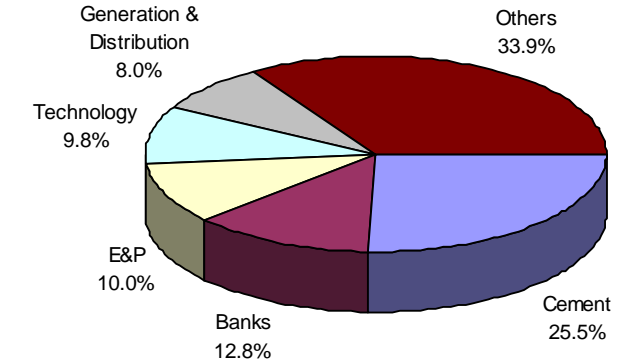
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KSE Ready Market	This Weekend	Last Weekend	% Δ
KSE-100 Index	8,107.94	8,011.31	1.2%
KSE Market Cap (Rs. bn)	2,385.64	2,361.54	1.0%
KSE Market Cap (US\$ bn)	28.76	28.61	0.5%
Avg daily vol during week (Sh mn)	118.88	194.41	-38.9%
Avg daily value during week(Rsbn)	6.05	10.61	-43.0%
Avg daily value during week(US\$m)	73.15	128.17	-42.9%

KSE Futures Market	This Weekend	Last Weekend	% Δ
Avg. Weekly Volume (Shares mn)	1.33	1.40	-5.1%
Avg. Weekly Value (Rs. mn)	85.26	112.31	-24.1%
KSE Ready Future Spread (%)	6.30	6.14	16bps

Regional Markets	This Weekend	Last Weekend	%Δ
China (SSEA)	2,960.77	3,046.97	-2.8%
India (BSESN)	15,240.83	15,411.63	-1.1%
Indonesia (JKSE)	2,333.90	2,396.50	-2.6%
Korea (KOSPI)	1,580.98	1,591.41	-0.7%
Malaysia (KLSE)	1,163.79	1,188.57	-2.1%
Philippines (PSI)	2,720.18	2,850.01	-4.6%
Taiwan (TWII)	6,654.80	7,069.51	-5.9%

Top performers of JS Universe	This Weekend	Last Weekend	%Δ
Pakistan Telecom Co.	19.97	17.61	13.4%
Faysal Bank Limited	10.93	10.10	8.2%
Pakistan State Oil Co. Ltd.	273.68	254.08	7.7%
Kot Addu Power	50.02	47.06	6.3%
Askari Bank Ltd.	15.83	14.96	5.8%
Engro Polymer	21.17	20.02	5.7%
Bank Al-Falah Limited	11.84	11.21	5.6%
Hub Power Company Limited	31.99	30.31	5.5%
Oil & Gas Dev.Co	95.09	92.63	2.7%
Habib Bank Ltd	112.07	109.23	2.6%
Attock Petroleum Ltd	378.28	369.00	2.5%

Top sectors by volume

KSE Future Details	This Weekend Vol.(mn)	Last Weekend Vol.(mn)	This Weekend Val.(mn)	Last Weekend Val.(mn)	This Weekend Spread	Last Weekend Spread
DGKC-AUG	0.41	0.75	14.13	28.41	0.00%	14.58%
OGDC-AUG	0.14	0.33	13.69	31.08	8.27%	3.35%
POL-AUG	0.04	0.03	6.20	5.04	8.07%	10.18%
LUCK-AUG	0.07	0.17	5.45	12.35	-8.54%	-0.71%
AICL-AUG	0.04	0.07	4.07	6.65	8.93%	20.20%
PSO-AUG	0.01	0.02	3.79	4.09	-9.41%	4.39%
NBP-AUG	0.06	0.08	3.79	5.63	4.88%	1.55%
MCB-AUG	0.02	0.05	3.76	8.57	-0.90%	-1.92%
NML-AUG	0.06	0.00	2.68	0.14	38.50%	26.10%
ANL-AUG	0.08	0.08	1.96	2.23	-1.99%	11.72%
TOTAL	1.17	1.75	65.00	120.38	6.30%	6.14%

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