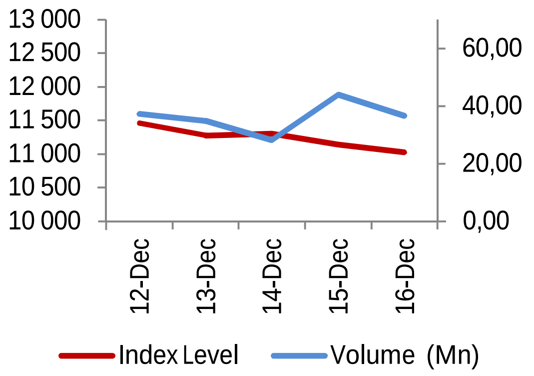
Pakistan

Weekly Market Review

12 December – 16 December, 2011

Performance of KSE 100 index



Source: KSE, SFA Research

Top 5 Gainers (Percentage Wise)

Tickers	Closing Price	Percentage Wise Change	Volume	Market Cap (Mn)
REDT	0.95	216.67	1,000	20.20
RAVT	0.96	41.18	11,079	24.00
FEQM	1.00	28.21	1,002	52.44
ECOP	4.22	27.11	623,366	97.00
KASBM	2.50	25.00	500	70.70

Source: KSE, SFA Research

Top Five Losers (Percentage Wise)

Tickers	Closing Price	Percentage Wise Change	Volume	Market Cap (Mn)
OLTM	0.21	-40.00	500	2.30
DEL	0.66	-29.03	5,410	16.50
FTSM	1.25	-28.98	15,000	26.45
SPLC	0.37	-26.00	5,005	16.70
FCIBL	4.01	-19.96	7,601	260.70

Source: KSE, SFA Research

Market Wrap-Up

KSE 100 Weekly Data			
Open	11,140	Change (%)	-1.00%
Close	11,028	Change (in points)	-111.38
High	11,140	52 Week High	11,140
Low	10,890	52 Week Low	7,489

Source: KSE, Reuters, SFA Research

Market Summary

Bears were in the reign as trading was overshadowed by national events due to uncertain US-Pakistan relations and the increasing severity of the memo scandal. Negative sentiment was evident throughout the week as investors exhibited increasingly cautious behaviour. The index closed at 11,028 falling by 111.38 points. Trading volumes declined by 7.30 million and a total of 317 stocks were traded on Friday.

The fertilizer sector continued to remain in the limelight as four urea plants which are currently on the SNGPL network face the threat of permanent closure if the SNGPL continues to extend its supply shortage procedures. An estimated cumulative production loss of 2.2 million tons is expected if this arises for Engro Fertilizers Ltd, Pak Arab Fertilizers Ltd, Dawood Hercules Fertilizer Ltd and Agritech Ltd. Engro Fertilizers Ltd was the volume leader on Friday with 4.86 million shares traded albeit witnessing a 2.37% drop to close at Rs 96.73. Fauji Fertilizer Bin Qasim Ltd was the fourth volume leader, which fell by 2.28% to close at Rs 45.15.

Highlights

25.20% surge in 3QFY11 revenues for Nestle Pakistan Ltd – Sales for the concern rose by 25.20% to Rs 15,900 million from Rs 12,700 million during 3QFY10. However, PAT fell by 0.90% to Rs 1,200 million from Rs 1,300 million while EPS was Rs 24.60 against Rs 24.83 for the same period last year. The company announced dividend warrants pertaining 250% of dividends at Rs 25 per share. EPS was PKR 82.61 against PKR 68.28 for the same period a year ago.

Pak Rupee plunges to 89.67 against the greenback - The Pakistani rupee hit a fresh record low as import payments climbed and exporters clung tightly on to their dollars as the country's economic outlook darkened. The expected freeze in US$ 700 million in aid by US lawmakers pressurized the rupee in the last trading session. The rupee traded as weak as 89.67 to the dollar, but closed at 89.55/61, compared with Tuesday's close of 89.10/20.

Moody's: Negative Banking System Outlook – Major banking scrips were in the red after the release of a negative outlook by the agency. MCB Bank Ltd took the major fall as the scrip fell by Rs 2.62 to close in at Rs 137.05. According to Moody's, the outlook for the banking system remained negative mainly on account of two main factors; the weak operating environment and the likelihood that banks will further increase their seemingly high exposures to the Pakistan government. Exposure to sovereign credit risk is the main factor the agency has highlighted. The outlook states fragile business and credit conditions prevail amidst rising political and security issues. In addition, the report mentions that Non-performing loans (NPLs) will likely peak at around 16% of total lending by year-end 2011, from 15.3% at end-June 2011.

Future Outlook

Going forward, we expect negative sentiment to continue to rise on account of heightened concerns for the establishment arising from the memo scandal and increasing gas supply shortages. The negative outlook for the economy continues to be reinstated as the SBP reports a surge of 257% in the current account deficit for the nation to US$ 2 billion in the first five months of the fiscal year. The SBP states "The massive increase in current account deficit is alarming and if deficit of goods and services sector is not controlled, Pakistan may see forex reserves slipping."