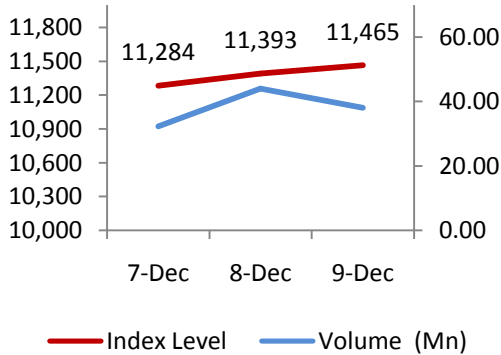


Pakistan

Weekly Market Review

7 December – 9 December, 2011

Performance of KSE 100 index



Source: KSE, SFA Research

Top 5 Gainers (By Price)

Tickers	Closing Price	Percentage Wise Change	Volume	Market Cap (Mn)
CJPL	0.80	56.86	5,511	19.01
SERF	0.45	50.00	1,000	7.09
RAVT	0.68	30.77	3,348	17.00
GENP	0.37	23.33	27,497	7.30
SSIC	4.00	22.70	6,404	122.30

Source: KSE, SFA Research

Top Five Losers (By Price)

Tickers	Closing Price	Percentage Wise Change	Volume	Market Cap (Mn)
GAMON	1.50	-23.08	1,502	42.40
CWSM	1.10	-22.54	7,503	44.00
YOUW	1.00	-19.35	1,000	40.00
KASBSL	2.21	-18.15	4,736	221.00
BILF	1.57	-17.37	10,000	22.14

Source: KSE, SFA Research

Market Wrap-Up

KSE 100 Weekly Data

Open	11,393	Change (%)	0.63
Close	11,465	Change (in points)	72.04
High	11537.24	52 Week High	12768.40
Low	11345.11	52 Week Low	10760.90

Source: KSE, Reuters, SFA Research

Market Summary

Bouncing back, the KSE 100 index climbed 0.63% by 72 points to close at 11,465 in the last trading session with 43 million shares traded. The market capitalization increased by Rs 18 billion to Rs 2,982 billion. Out of total 298 shares traded, 102 declined, 101 advanced, while 95 closed unchanged. A flurry of activity was witnessed from Thursday's trading session onwards with positive expectations between the SECP and KSE collectively agreeing on relaxing the rules for capital gains tax collection. KSE members developed a consensus that tax should be collected under the Presumptive Tax Regime (PTR) instead of on the sale of shares. In addition, an agreement was made on differing capital adequacy requirements for both traders and stock clearing members.

News surrounding the president's recovering health and the release of US military aid contributed to the bullish sentiment. This sentiment was also reflected in the trading of blue chip scrips as OGDC and FFC led the rally on the KSE. This was witnessed despite concerns regarding power shortages for industries and the announcement of the three day gas closure for both industries and CNG stations.

The rupee ended up at 89.00/10 versus the dollar on Friday from 89.10/16 on Wednesday amidst concerns regarding the US\$ 8 billion dollar loan to be repaid in early 2012 without adequate sources of revenue. Foreign exchange reserves dropped to \$16.68 billion for the first trading week of December.

Highlights

SBP: Highest surge in bank assets since 2007 – The SBP's Financial Stability Review (FSR) released news that the assets of banks nationwide surged by 8% or Rs 577 billion to Rs 7.70 trillion during the first half of calendar year 2011 (Jan-Jun 11). Deposits increased by 9.40%, the highest level in the past four years. Liquidity was on the rise for the first half with a larger amount of investment in treasuries. Banks' capital adequacy ratio also observed improvement, reaching 14.1% by June-2011.

Banks' profits before tax were up by 31% during the first half of 2011 at Rs 77 billion. Return on assets was reported at 2.1% (compared to 1.8% in June-10) and return on equity at 21.9% (compared to 17.7% in June-10). However, there is a shift in the focus of profitability from interest income towards advances in investments in government securities. Specifically, returns from investments in government securities now accounts for approximately 30% of banks' interest income (compared to 24% in June-2010).

Future Outlook

Going forward, the fertilizer sector will be subject to volatile movements as a result of unexpected power supply shortages. The scrip of Engro Corporation should be closely monitored after SNGPL's immediate halt in gas supplies to Engro's new fertilizer plant. Despite initial commitments of continuous gas supply till 31 December, the plant has stopped receiving gas indefinitely and will spike the price of urea. Furthermore, the plant of Pak Arab Fertilizer in Multan is also expected to be shut down. The scrip of Fauji Fertilizer Company should be observed as the scrip gained 2% on expectations of an increase in urea prices going forward.