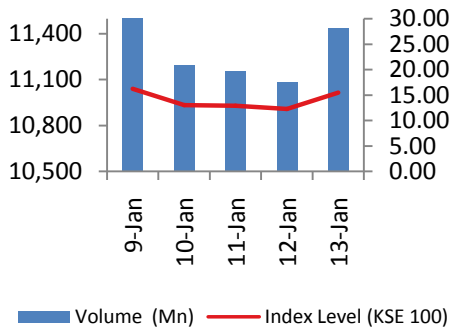


## Weekly Market Review

### Pakistan

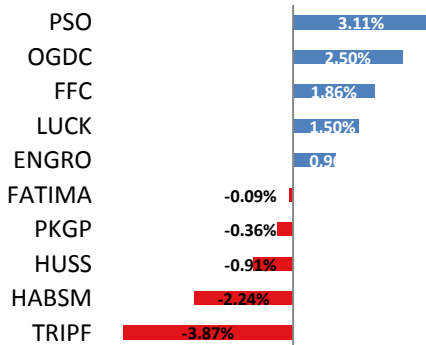
2 January – 6 January, 2012

#### Performance of KSE 100 Index



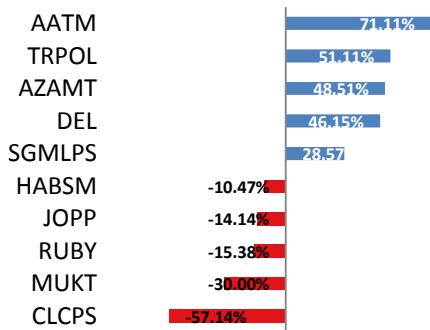
Source: KSE, SFA Research

#### Top 5 Gainers/Losers (By Market Cap)



Source: KSE, SFA Research

#### Top 5 Gainers/Losers (By Percentage)



Source: KSE, Reuters, SFA Research

#### Market Wrap-Up

##### KSE 100 Weekly Data

Open	11,040	Change (%)	-0.23%
		Change (in points)	-26
Close	11,014		
High	11,040	52 Week High	12,768
Low	10,909	52 Week Low	10,761

Source: KSE, Reuters, SFA Research

#### Market Summary

Thin volumes, cautious investors and nervous events kept the bourse under pressure as was indicated by investor behaviour throughout the week. Trading was overshadowed by the growing rifts between the establishment and the military on account of the severity of the memo scandal. Rising oil prices and lack of necessary funds further fueled the negative sentiment amidst a likely embargo to be levied on Iran's oil supply. However, the index recovered by the end of the trading week on positive news that the SECP proposed new taxation rules to the FBR including a two year capital gains tax exemption and a reduction in corporate tax from 35 percent to 25 percent. The announcement of the Kunnar-Pasakhi Gas Pipeline project also boosted the index by week end.

The index closed at 11,014 gaining 105 points on Friday with a total of 147 stocks gaining, 47 losing and 131 unchanged. Overshadowed by political events, trading volumes fell by 10.97 million throughout the week to their lowest of 17.60 million shares on Thursday, but bounced back to 28.07 million by day end. In terms of volume, Jehangir Siddiqui and Company Ltd dominated with 3.16 million shares traded gaining Rs 0.20 to close at Rs 4.27. Fauji Fertilizer Bin Qasim Ltd came in second with 2.28 million shares traded; gaining Rs 0.20 to close at Rs 43.58.

#### Highlights

**Amendment to Short Selling Clauses** – Clause (C) states, 'notwithstanding anything mentioned in sub-clause (b), short sale shall be allowed without Up-tick or Zero-Plus Tick up to the following extent: UIN-Wide position: 2% corresponding to average daily turnover of security in the previous month, Member-Wide position: 4% of average daily turnover of security in the previous month, Market-Wide position: 40% of average daily turnover of security in the previous month.'

**Fertilizer Sector Snapshot** – Urea prices continue their upward trend after the imposition of GIDC and the rise in gas tariff. ENGRO raised its urea price to in order to fully pass on the impact of gas prices by Rs 210 per bag to Rs 1,790 per bag and after dealer margins, the retail price stands at Rs 1,810/bag. FFC and FFBL have already raised prices by Rs 50/bag and are further expected to follow suit and pass on their incremental costs by raising their prices by Rs 210/bag.

**PAMA's latest figures for 1HFY12** – Auto sales were up by 20% YoY on account of the growth in remittances, customers delaying their purchases until the onset of the new year and the concessional Yellow Cab Scheme. Industry car sales soared by 20.5% YoY. Pak Suzuki posted enormous growth of 32% YoY and Indus Motors registered a growth of 7% YoY. Despite this, the sector is exposed to the downside risk of a ban on CNG kits in vehicles in the weeks ahead.

#### Future Outlook

Going forward, we expect investor caution to remain persistent as developments from the memo scandal continue to heighten including strained relations which are increasing between the military and the government. The court is to hear both the memogate and NRO cases whose outcomes are expected to contribute to bearish sentiment. Institutions in the financial sector should be monitored after the SBP issued a report highlighting the credit standing of various institutions. Scrips in the oil sector should be monitored following the effect on events streamlining out of Iran's expected embargo on its oil and unrests in Nigeria. With further expected urea price hikes, a watch should be kept on the fertilizer sector as the sector continues to battle with a disparity between global urea prices, rising fixed costs and a shortage of gas supplies.

Cement prices are also expected to witness a price hike going forward as manufacturers aim to pass on the higher gas prices to end consumers. Hence, this sector should also be watched as although manufacturers in the south have marginally increased their prices by Rs 2.50/bag, a further rise of Rs 10/bag is expected.