Planning Commission
Ministry of Planning, Development and Special Initiatives
Economic Policy Wing
Money, Prices and Fiscal Policy Section

Review of

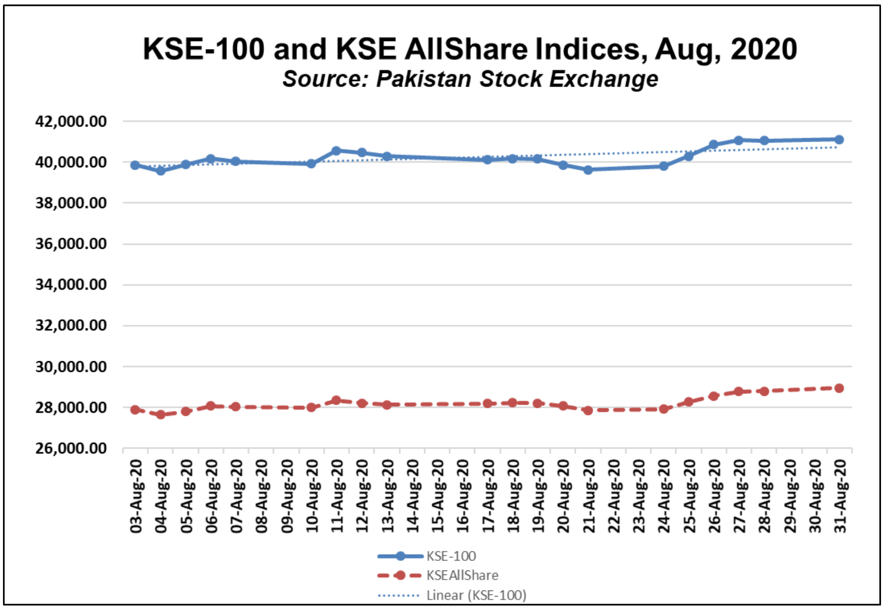
Capital Market Developments- I **(August-2020)**

Performance of KSE Indices

Pakistan Stock Exchange (PSX) witnessed a much better performance during August, 2020 as compared to the previous month. The benchmark KSE-100 index closed at **41,110.93** by gaining **1,852.49** points **(4.71%)** as compared to previous month, while KSE-All Shares index closed at **28,960.99** by gaining **1,401.73** points **(5.08%)**. The KSE-100 reported maximum and minimum of 41,110.93 and 39,577.62 points respectively. Average traded value and volume of PSX were recorded at Rs. 20.15 Bln and 526.02 Mln shares for the month of August, 2020. The average of KSE-100 in August 2020 was 40,246.18 points.

Main reasons for overall gain of points at the bourse were: drop in active Covid-19 cases, approval of key projects (ML-1 Railway upgradation worth Rs11.44 trillion under CPEC by Economic Coordination Committee along with four projects by Central Development Working Party worth Rs16.1 billion), uptick in KIBOR, Moody`s reaffirmation on Pakistan B3 stable economic outlook, remittances for July at $2.77bn, Standard & Poor`s (S&P) rating affirming Pakistan`s 'B' long-term and 'B' short-term sovereign rating while maintaining 'stable' long-term outlook encouraging results of companies and current account surplus of USD 424 million.

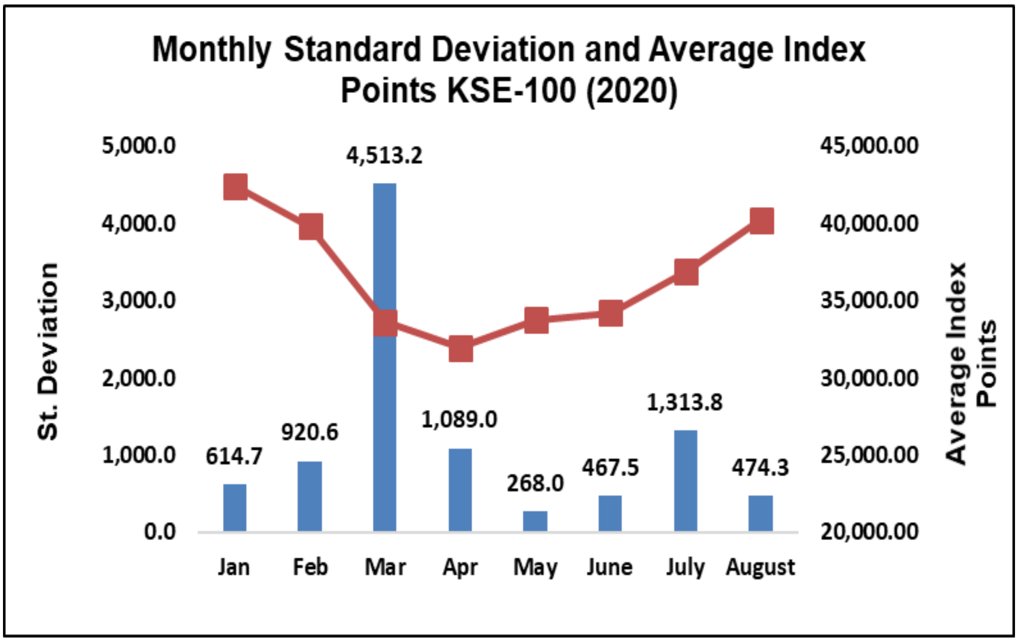
Graphical representation of KSE-100 and KSE-All Share index during August, 2020 is depicted below:



Highlights

- KSE-100 index gained **1,852.49** points **(4.71%)** as compared to the end of previous month.
- KSE-100 showed a steeply upward trend for 1st, 2nd and 4th weeks of the month.
- Performance during 3rd week was sluggish as it lost 669.15 points.
- The **average of KSE-100** in August 2020 was **40,246.18** points.
- Average traded value and volume of PSX were recorded at Rs. 20.15 Bln and 526.02 Mln shares for the month of August, 2020.
- Market capitalization exhibited overall upward sloping trend with **gain of Rs. 356.10 Bln (4.88%)** on month-on-month basis to reach Rs. 7,650.37 Bln by end of August, 2020.
- **NASDAQ 100** registered highest gain of **9.59%** as compared to other indices whereas, **FTSE 100 (0.46%)** witnessed loss in this month.

KSE-100 Monthly Average and St. Deviation Jan-Jul 2020



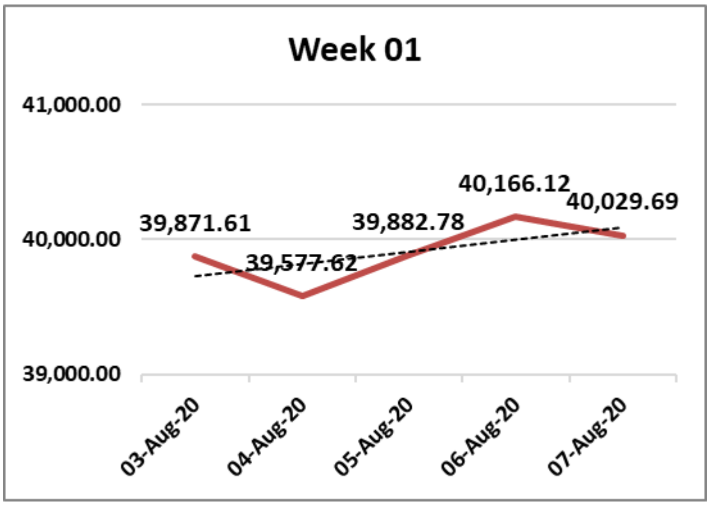
The standard deviation of the KSE-100 Index for the past eight months has shown high variation. However, the standard deviation values for the months of July and August have shown considerable relative change in the period Jan-August, 2020, where the value for the month of August has reduced to 474.3 as compared to 1,313.8 in July 2020. This implies reduced level of riskiness in the equity markets which is a good sign as the market is moving towards better consolidation.

The average values of KSE-100 of each month displayed at the secondary axis of the above diagram reveals that there is an increase in the average from June to August 2020 which shows better performance at the bourse in this month. It posited an average of 40,246.18 points which was 3,374.26 points (9.15%) more than the average of July, 2020, showing an impressive increase. It is a welcoming signal for the month of August, 2020 as a downward trajectory in average scores had gripped the markets since the end of April, 2020.

WoW Basis Analysis

The performance of the Pakistan Stock Exchange (PSX) on weekly basis during August, 2020 is outlined as follows:

1st Week:

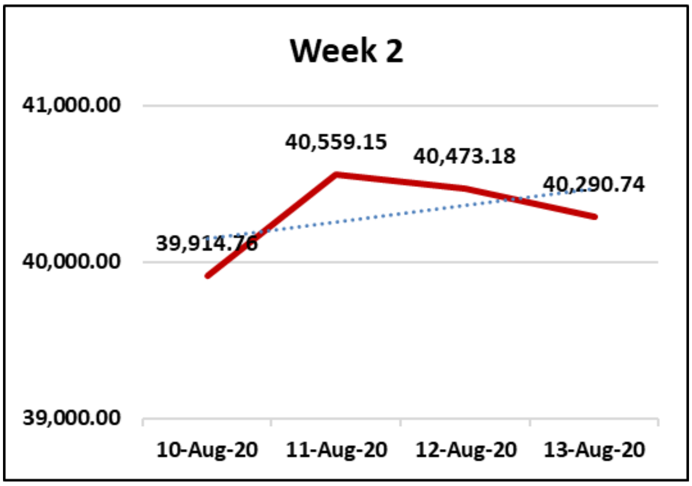


The first week of August, 2020 witnessed an upward trend in the KSE-100 Index and closed with a gain of 771.25 points (1.96%) and 483.66 points (1.75%) at KSE-AllShare Index to settle at 40,029.69 and 28,042.92 points respectively. While the average traded value and volume of this week were recorded at Rs 12.336 Bln and 348.806 Mln shares respectively.

In the opening session of the first week, the stocks gained 613.17 points owing to investor interest in the cement sector and high traded value of Rs. 25.82 Bln kept the momentum high. However, the next day, investors resorted to profit-taking by hitting the bourse with loss of 293 points. Wednesday and Thursday helped KSE-100 bounce back in the greens by posting gains of 305.16 and 283.34 points, respectively; this was due to better performance of the banking sector, rumours of increase in retail price of cement bags by about Rs. 5-7 per bag, rise in oil rates in the international market due to the US stockpile drop, and rise in price of Worldcall Telecom stocks to Rs. 1.02 from Rs. 1.

2nd Week:

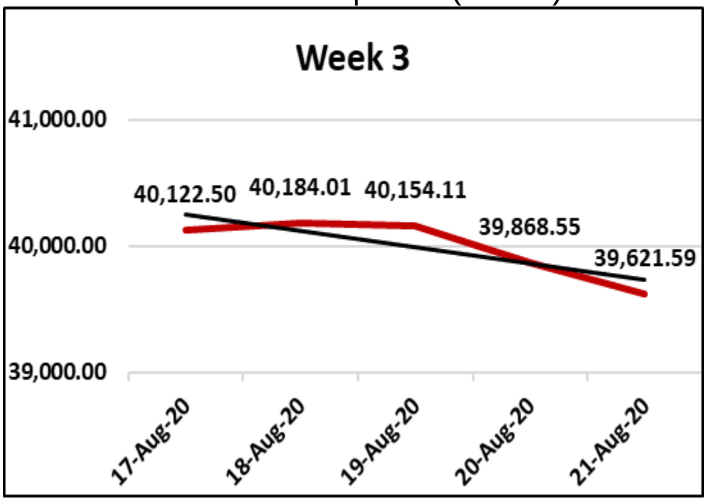
The second week of August, 2020 displayed an upward trend in first two days but fell at the downside for the last two trading sessions. The overall average trend was determined by the jump in stock points to above 40,000 points. The week closed with gain of 261.05 points (0.65%) for KSE-100 and gain of 91.34 points (0.32%) at KSE-AllShare Index to settle at 40,290.74 and 28,134.26 points respectively. While the average traded value and volume of this week were recorded at Rs16.576 Bln and 432.4025 Mln shares respectively.



The second week of August posted three out of four trading sessions in loss. The KSE-100 could only gain 644.39 points on Tuesday, and lost 114.93, 85.97 and 182.44 points on Monday, Wednesday and Thursday respectively. The main reasons for this decline were: investor cautiousness over statements on Kashmir issue by Foreign Minister Shah Muhammad Qureshi; profit-taking; and announcement of reserved judgement by the Supreme Court which declared that the Gas Infrastructure Development Cess (GIDC), which amounted to a huge Rs457 billion over a period two years, was required to be paid by corporates in the state`s exchequer.

3rd Week:

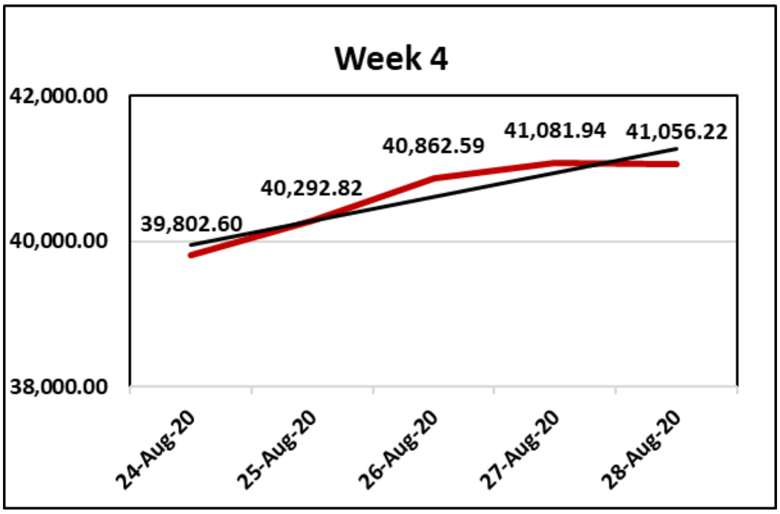
During third week of August, 2020 the KSE-100 index lost 669.15 points (1.66%) on WoW basis, and loss of 275.62 points (0.97%) was seen at KSE-AllShare Index; both indices settled at 39,621.59 and 27,858.64 points respectively. The week encountered consistent losses for all trading sessions except for that on 18th August, 2020.



The third week showed four out of five trading sessions in red. With the exception of Tuesday, when the KSE-100 gained 61 points, all sessions shed approximately 100 points on daily basis.
The main reasons for this negative trend were: profit booking by investors, power generation and distribution declined by 5.6pc after announcement of potential revision in existing power purchase agreements for most IPPs which were thought to revise downwards the annual capacity payments and reduce current equity returns.

4th Week:

In the fourth week of August, 2020 the Pakistan stock market gained 1,434.63 points (3.62%) at KSE-100 and 949.20 points (3.40%) at KSE-AllShare Index to settle at 41,056.22 and 28,807.84 points respectively. While the average traded value and volume of this week were recorded at Rs. 16.905 Bln and 389.84 Mln shares respectively.



Major reasons were: announcement of State Bank of Pakistan that current account recorded surplus in July came in at $424 million; emergence of mutual funds as major buyers of equity with a huge sum of $10.40m; among sectors, commercial banks, cement and automobiles were major movers. Refinery faced selling pressure on reports of possibility of temporary closure of the Pakistan Refinery Ltd which suffered damage due to torrential rains in Karachi.

Other positive events for month included: spectacular drop in active Covid-19 cases, approval of key projects (ML-1 Railway upgradation worth Rs11.44 trillion under CPEC by Economic Coordination Committee along with four projects by Central Development Working Party worth Rs16.1 billion), uptick in KIBOR, Moody`s reaffirmation on Pakistan B3 stable economic outlook, remittances for July at $2.77bn, Standard & Poor`s (S&P) rating affirming Pakistan`s ‘B’ long-term and ‘B’ short-term sovereign rating while maintaining ‘stable’ long-term outlook encouraging results of companies and current account surplus of USD 424 million.

Update on Market Capitalization

Market Capitalization for the month of August 2020 experienced an upward trend, in congruence with the trend at the bourse. The month began with Mkt Cap at Rs. 7,390.22 Bln and **gained Rs. 356.10 Bln (4.88%)** on month-on-month basis to reach Rs. 7,650.37 Bln by end of August, 2020. Mkt Cap reported maximum and minimum of 7,650.37 and 7,326.55Bln respectively. The average of Mkt Cap in August 2020 was 7,456.40 Bln.

Global Stock Market Comparisons

During the month under review, the world stock market indices showed a positive trend, registering gains for major stock markets around the world, except FTSE 100 Index.

NASDAQ 100 registered the highest gain of 1030.19 points (9.59%), followed by DOW JONES (7.57%) and S&P 500 Index (7.01%). FTSE 100 Index with loss of 23.69 points (0.40%) witnessed loss this month. MOEX Russia Index collected trifling gains of 54.63 points (1.88%) this month. The table below presents percentage change in the leading world stock market indices from end July, 2020 to end August, 2020.

Trends in World Stock Market Indices (August-2020)					
Index (Month End)	Country Name	31-07-20	31-08-20	Change Δ	% Δ
NASDAQ 100	USA	10,745.27	11,775.46	1,030.19	9.59
DOW JONES	USA	26,428.32	28,430.05	2,001.73	7.57
S&P 500 INDEX	USA	3,271.12	3,500.31	229.19	7.01
NIKKEI 225	Japan	21,710.00	23,139.76	1,429.76	6.59
KSE-100	Pakistan	39,258.44	41,110.93	1,852.49	4.72
SENSEX 30-BSE	India	37,606.89	38,628.29	1,021.40	2.72
SSE Composite Index	China	3,310.01	3,395.68	85.67	2.59
HANG SENG-HK	Hong Kong	24,595.35	25,177.05	581.70	2.37
MOEX Russia Index	Russia	2,911.57	2,966.20	54.63	1.88
FTSE 100 INDEX	United Kingdom	5,989.99	5966.3	-23.69	-0.40

Conclusion:

The month of August 2020 registered overall positive position at the bourse with markets closing in gain for all weeks except third, making it a successful month amid the COVID-19 pandemic. The market crossed the 39,000-index point threshold for all trading days of August, 2020- this had not occurred since March, 2020. The linear trendline sloped upward and the market gained approximately 32.77 points on daily basis. The KSE-100 Index posited an average of 40,246.18 points which was 3,374.26 points (9.15%) more than the average of July, 2020 showing an impressive increase. Average traded value and volume of PSX were recorded at Rs. 20.15 Bln and 526.02 Mln shares for the month of August, 2020. The first, second and fourth weeks of August 2020, exhibited high gains at the bourse, but the third week showed major loss due to news of agreement to revise contracts with the IPPs. Main positive events were: drop in active Covid-19 cases, approval of key projects (ML-1 Railway upgradation worth Rs11.44 trillion under CPEC by Economic Coordination Committee along with four projects by Central Development Working Party worth Rs16.1 billion), uptick in KIBOR, Moody`s reaffirmation on Pakistan B3 stable economic outlook, remittances for July at $2.77bn, Standard & Poor`s (S&P) rating affirming Pakistan`s 'B' long-term and 'B' short-term sovereign rating while maintaining 'stable' long-term outlook encouraging results of companies and current account surplus of USD 424 million. These sentiments are expected to build stability in the upcoming trading sessions of the capital markets in Pakistan.