

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

Review of

Capital Market Developments- I

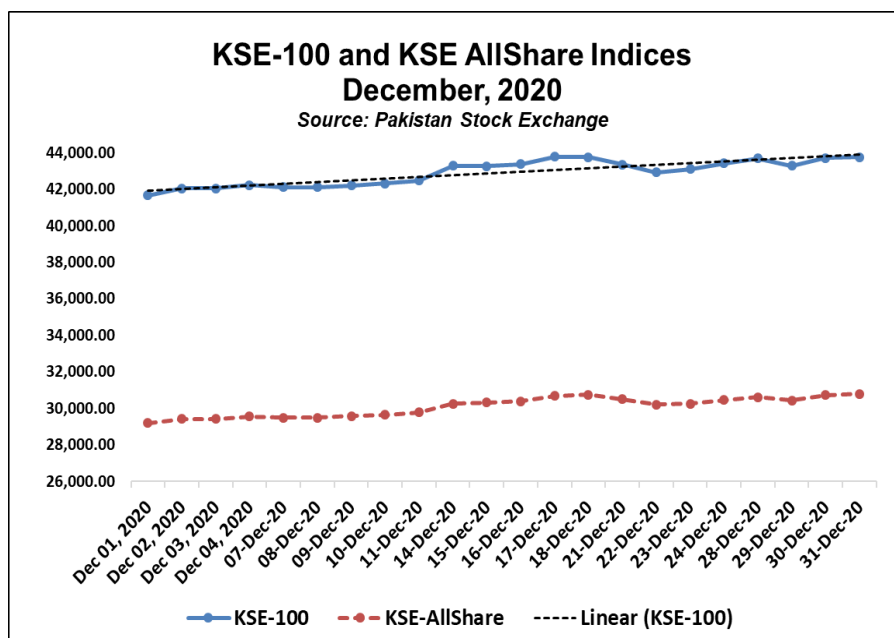
(December-2020)

Performance of KSE Indices

Pakistan Stock Exchange (PSX) witnessed a positive performance during December, 2020 as compared to the previous month. The benchmark KSE-100 index closed at **43,755.38** by gaining **2,686.56** points (**6.54%**) as compared to previous month, while KSE-All Shares index closed at **30,779.70** by gaining **1,930.24** points (**6.69%**). The KSE-100 reported maximum and minimum of 43,766.69 and 41,665.27 points respectively. Average traded value and volume of PSX were recorded at Rs. 21.48 Bln and 492.95 shares for the month of December, 2020. The average of KSE-100 in December 2020 was 42,894.60 points.

Main events of the month included: major break-through in development of Covid-19 vaccine; power-show in Lahore of political parties in opposition to the government; return of the second instalment (\$1 billion out of \$ 3 Billion) loan to Saudi Arabia with Chinese support to prevent depletion of the SBP reserves; new type of coronavirus detected in the UK leading to lockdowns and shutdowns and suspension of air flights in many countries; acceptance of Pakistan's request to IMF to delay implementation of sales tax and personal-income tax measures; announcement by government to reduce import duties on industrial inputs and other raw materials by 6pc w.e.f. 1st January, 2021 to spur industrial production.

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

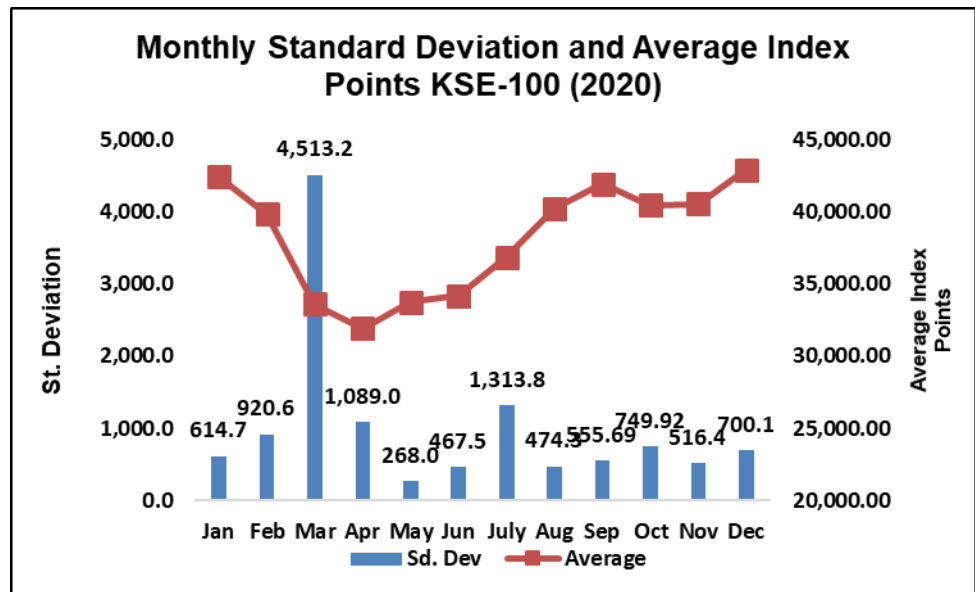


Highlights

- KSE-100 index **gained 2,686.56** points (**6.54%**) in December, 2020 as compared to the end of previous month.
- KSE-100 exhibited gains in all except the 4th week of the month.
- The KSE-100 reported maximum and minimum of 43,766.69 and 41,665.27 points respectively.
- The **average of KSE-100** in December 2020 was **42,894.60** points.
- Average traded value and volume of PSX were recorded at Rs. 21.48 Bln and 492.95 shares for the month of December, 2020.
- Market capitalization exhibited overall upward trend with **gain of 481.84 Bln (6.37%)** on month-on-month basis to reach Rs. 8,035.36 Bln by end of December, 2020.
- **SENSEX 30-BSE** registered the highest gain of 3,601.61 points (8.16%).
- **SSE Composite Index** showed least gain of 81.31 points (2.40%).

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

The standard deviation of the KSE-100 Index for the past one year has shown high variation. However, the standard deviation values for the months of July and December have shown considerable relative change in the period Jan-December, 2020, where the value for the month of December has decreased to 700.1 as



compared to 516.4 in November 2020. This implies increased level of riskiness in the equity markets.

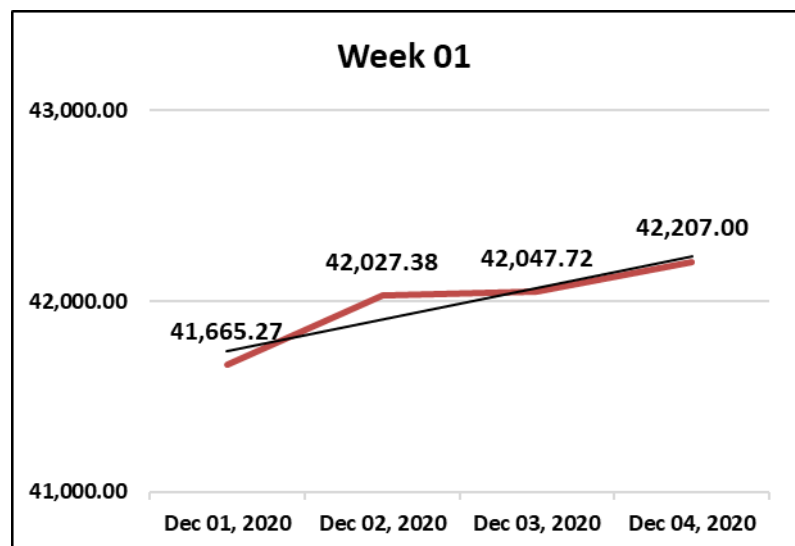
The average values of KSE-100 of each month displayed at the secondary axis of the above diagram reveals that there is improvement in the average from November to December 2020. December, 2020 posited an average of 42894.595 points which was 2,364.76 points (5.83%) more than the average of November, 2020, showing steady settlement.

WoW Basis Analysis

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

1st Week:

The first week of December, 2020 witnessed an upward trend in the KSE-100 Index and closed with a gain of 1,399.91 points (3.43%) and 829.81 points (2.88%) at KSE-All Share Index to settle at 42,207.00 and 29,549.41 points respectively. While the average traded value and volume of this week were recorded at Rs. 19.0175 Bln and 453.6825 Mln shares respectively.

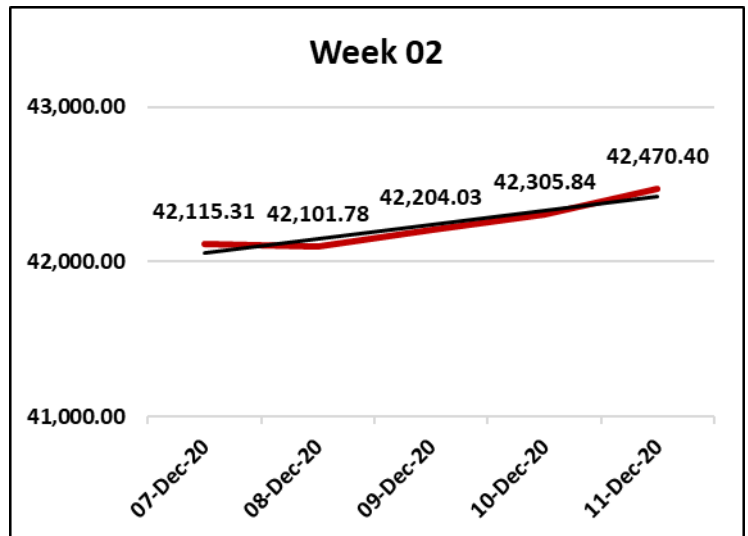


Main reasons were: major breakthrough in development of Covid-19 vaccine and intention of the government to introduce the vaccine in Pakistan early next year; upsurge in global stock market; and lower inflation for November, 2020 at 8.3% as compared to 8.91% in October, 2020.

2nd Week

The second week of December, 2020 witnessed a steady upward trend in the KSE-100 Index and closed with a gain of 263.40 points (0.62%) and 221.17 points (0.74%) at KSE-AllShare Index to settle at 42,470.40 and 29,770.58 points respectively. While the average traded value and volume of this week were recorded at Rs. 19.73 Bln and 451.67 Mln shares respectively.

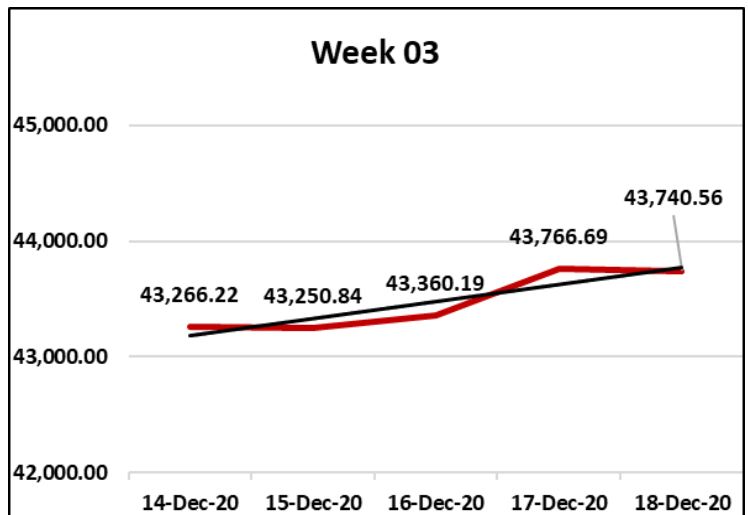
The week witnessed two negative sessions on Monday and Tuesday owing to uptick in Covid-19 infected cases in the country and political opposition targeting to hold a power-show in Lahore on 13th December, 2020 kept the investors wary as they feared a possible political crisis. The rest of the trading days exhibited selective buying and paltry gains at the bourse.



3rd Week:

The third week of December, 2020 also observed an upward trend in the KSE-100 Index and closed with a gain of 1,270.16 points (2.99%) and 967.78 points (3.25%) on KSE-AllShare Index to settle at 43,740.56 and 30,738.36 points respectively. While the average traded value and volume of this week were recorded at Rs. 24.674 Bln and 548.99 Mln shares respectively.

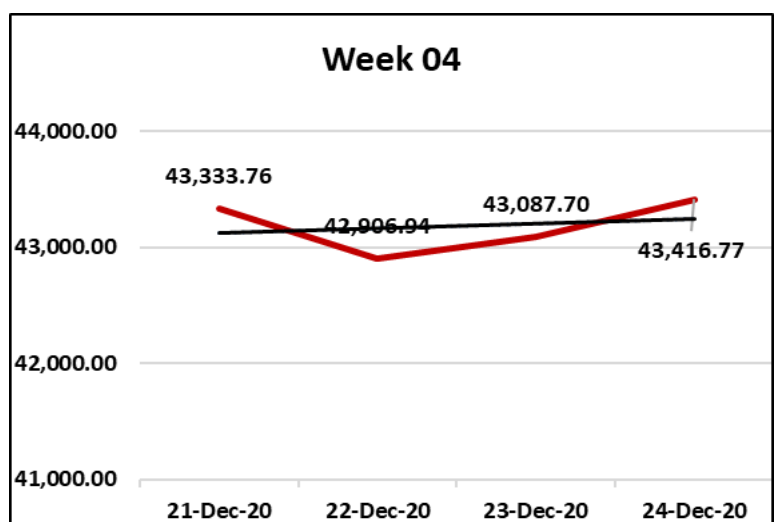
Main reasons for the positive trend were: upward lift in in global stock markets at the launch of the Covid-19 vaccine; less expectations of a global economic slowdown; and return of the second installment (\$1 billion out of \$ 3 Billion) loan to Saudi Arabia with Chinese support to prevent depletion of the SBP reserves.



4th Week:

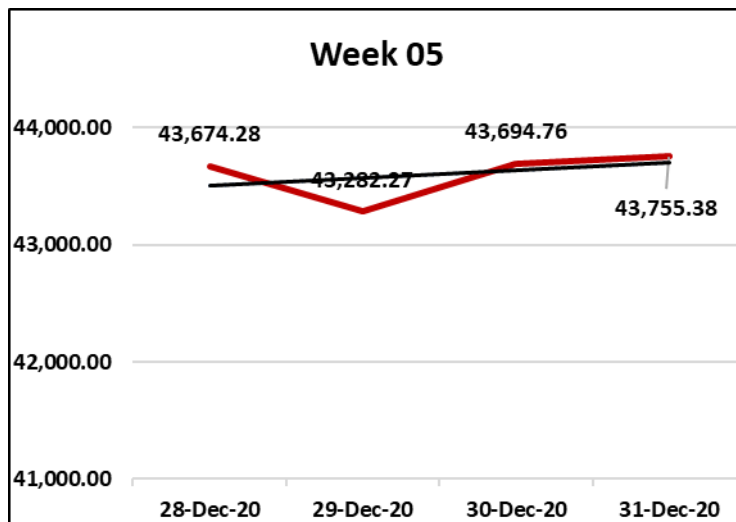
In the fourth week of December, 2020 the Pakistan stock market lost 323.79 points (0.74%) at KSE-100 and 293.87 points (0.96%) at KSE-AllShare Index to settle at 43,416.77 and 30,444.49 points respectively. While the average traded value and volume of this week were recorded at Rs. 22.085 Bln and 506.9625 Mln shares respectively.

The index dropped by 834 points in the first two days of the week due to news on Covid-19. The market lost 406



5th Week:

Main reasons for this performance were: positive trading on international oil prices; hefty buying in the textile sector resulted after following cues of the government to raise the textile exports to \$20 Billion in the next five years and to provide reasonable incentives to achieve the target; decrease in Covid-19 cases; acceptance of Pakistan's request by IMF to delay implementation of tax measures for a period of six months on bringing changes in sales tax act, withdrawal of exemptions on sale of food items, revising upward the tax rates on personal income-tax slabs etc; and statement by the Commerce Adviser highlighting that the government would reduce import duties on industrial inputs and other raw materials by 6pc w.e.f. 1st January, 2021 to spur industrial production and encourage export-oriented sectors.



Update on Market Capitalization

Market Capitalization December, 2020

Source: Securities and Exchange Commission of Pakistan

The chart displays the market capitalization in Rs. Billion over time. The Y-axis ranges from 7600 to 8100. The X-axis shows dates from Dec-20 to Dec-20. A blue line represents the daily market capitalization, and a light blue linear regression line shows the overall upward trend.

Date	Market Capitalization (Rs. Billion)
Dec-20	7648.35
Dec-20	7690.00
Dec-20	7700.00
Dec-20	7730.00
Dec-20	7730.00
Dec-20	7720.00
Dec-20	7715.00
Dec-20	7740.00
Dec-20	7750.00
Dec-20	7775.00
Dec-20	7900.00
Dec-20	7915.00
Dec-20	7940.00
Dec-20	8015.00
Dec-20	8030.00
Dec-20	7965.00
Dec-20	7885.00
Dec-20	7900.00
Dec-20	7950.00
Dec-20	7965.00
Dec-20	7985.00
Dec-20	7990.00
Dec-20	7945.00
Dec-20	8020.00
Dec-20	8035.36

Global Stock Market Comparisons

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

SENSEX 30-BSE registered the highest gain of 3,601.61 points (8.16%), followed by KSE-100 (6.54%), MOEX Russia (5.84%), and NASDAQ 100 (5.65%). SSE Composite Index (2.40%) and FTSE 100 INDEX (2.96%) posted the least gains out of the selected indices.

The table below presents percentage change in the leading world stock market indices from end November, 2020 to end December, 2020.

Trends in World Stock Market Indices (December-2020)					
Index (Month End)	Country Name	30/11/2020	30-12-20	Change Δ	% Δ
SENSEX 30-BSE	India	44,149.72	47,751.33	3,601.61	8.16
KSE-100	Pakistan	41,068.82	43,755.38	2,686.56	6.54
MOEX Russia Index	Russia	3,107.58	3,289.02	181.44	5.84
NASDAQ 100	USA	12,198.74	12,888.28	689.54	5.65
NIKKEI 225	Japan	26,433.62	27,444.17	1,010.55	3.82
S&P 500 INDEX	USA	3,621.63	3,756.07	134.44	3.71
HANG SENG-HK	Hong Kong	26,341.49	27,231.13	889.64	3.38
DOW JONES	USA	29,638.64	30,606.48	967.84	3.27
FTSE 100 INDEX	United Kingdom	6,367.58	6,555.82	188.24	2.96
SSE Composite Index	China	3,391.76	3,473.07	81.31	2.40

Conclusion:

The month of December 2020 registered overall positive position at the bourse with markets closing in gain for all except the fourth week. The market crossed the 40,000-index point threshold for all trading days of December, 2020. The linear trendline sloped upward and the market gained approximately 94.7 points on daily basis. The KSE-100 Index posited an average of 42,894.60 points which was 2,364.76 points (5.83%) more than the average of November, 2020 showing an excellent performance at the bourse. Average traded value and volume of PSX were recorded at Rs. 21.48 Bln and 492.95 shares for the month of December, 2020. In addition to this, KSE-100 gained points as compared to other leading world indices like MOEX Russia Index, NASDAQ 100, and NIKKIE 225. Main events of the month included: major break-through in development of Covid-19 vaccine; power-show in Lahore of political parties in opposition to the government; return of the second instalment (\$1 billion out of \$ 3 Billion) loan to Saudi Arabia with Chinese support to prevent depletion of the SBP reserves; new type of coronavirus detected in the UK leading to lockdowns and shutdowns and suspension of air flights in many countries; acceptance of Pakistan's request to IMF to delay implementation of sales tax and personal-income tax measures; announcement by government to reduce import duties on industrial inputs and other raw materials by 6pc w.e.f. 1st January, 2021 to spur industrial production.