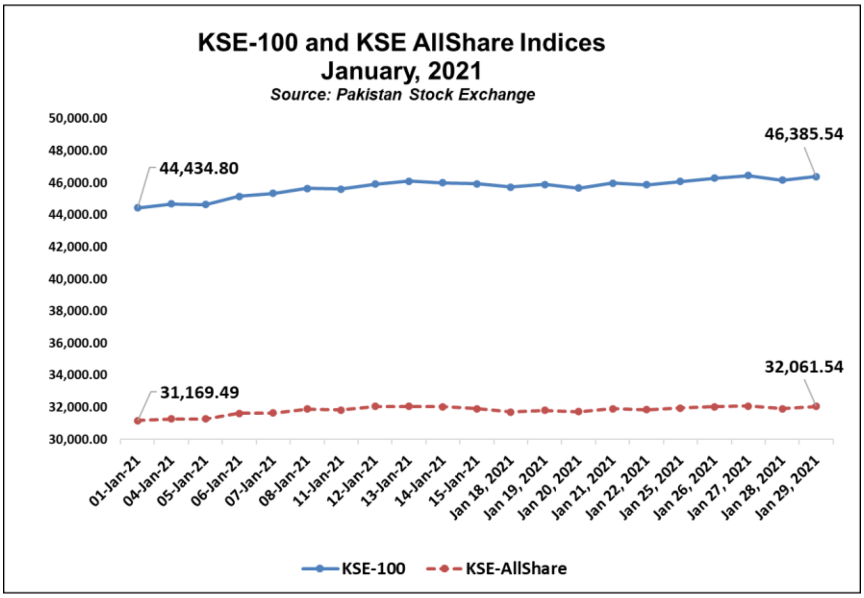
Planning Commission
Ministry of Planning, Development and Special Initiatives
Economic Policy Wing
Money, Prices and Fiscal Policy Section

Review of

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

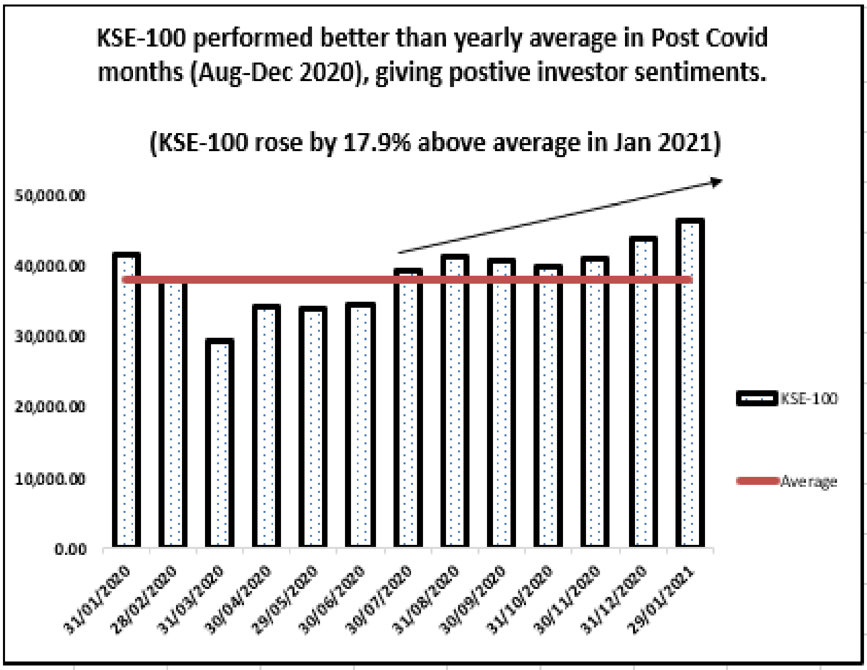
PERFORMANCE OF KSE INDICES



- Pakistan Stock Exchange (PSX) witnessed a positive performance during January, 2021 as compared to the previous month.

- The benchmark KSE-100 index closed at **46,385.54** by gaining **2,630.16** points **(6.01%)** as compared to previous month, while KSE-All Shares index closed at **32,061.54** by gaining **1,281.84** points

- The average of KSE-100 in January 2021 was 45,714.66 points.



- Average performance of KSE-100 from January 2020 to December 2020 was 38,080.34 points and KSE-100 exceeded this benchmark by 8,305.21 points (17.9%). This shows strengthened market sentiments for equity investment as Pakistan enters year 2021 and marks a significant improvement since the Pre-COVID time frame.

- The future expectation in the equity markets is to experience further improvement and cross the 50,000-point threshold by the end of 2021.

- February, 2021 is expected to exhibit consolidated confidence at the bourse as Pakistan imports COVID vaccine from China and begins an inoculation program in the beginning of February, 2021.

- The KSE-100 performed best amongst the various global indices by gaining 6.01% points.

MAIN EVENTS OF JANUARY 2021

- IMF projected growth of 1.5pc for Pakistan for the FY21, up by 1pc from earlier forecast of 0.5pc.
- Asian Development Bank approved $10bn five-year loan programme to help restore economic stability and growth in Pakistan in Post-COVID era.
- Overall decrease seen in COVID cases, and arrival of the first batch of Sinopharm vaccine in February, 2021.
- FATF meeting expected in February, 2021 that would determine Pakistan`s status (to stay or exit from the grey list).
- Positive response of the world equity markets as Joe Biden was sworn in as the new US president.
- Current account deficit of USD 662 Million for the month of December after five months of current account surplus.
- Monetary policy decision by State Bank of Pakistan to keep the interest rate unchanged at 7pc and provide forward guidance for the first time.
- Improvement in Large-Scale Manufacturing sector 14.5pc year-on-year in November and increase in remittances by 16.2pc for December 2020 at $2.437 bn over the same month last year.
- Increase in international oil price on the conclusion of agreement among OPEC+ countries in the first week of January, 2021.
- Initiation of negotiations between Independent Power Producers and the government to resolve issue of circular debt saw high buying in energy stocks. The matter has concluded with the decision of the Finance Division to clear circular debt of IPPs in two tranches with one-third of each tranche paid in cash, one-third raised by floating five-year Islamic Sukuk Bonds and one-third in Pakistan Investment Bonds (PIBs).

GLOBAL STOCK MARKET COMPARISONS SHOWING KSE-100 IN THE LEAD FOLLOWED BY CHINESE HANG SENG-HK.

Trends in World Stock Market Indices (January-2021)					
Index (Month End)	**Country Name**	**30-12-20**	**29/01/2021**	**Change Δ**	**% Δ**
KSE-100	Pakistan	43,755.38	46385.54	2,630.16	6.01
HANG SENG-HK	Hong Kong	27,231.13	28,283.71	1,052.58	3.87
NASDAQ 100	USA	12,888.28	13,070.69	182.41	1.42
NIKKEI 225	Japan	27,444.17	27,663.39	219.22	0.80
SSE Composite Index	China	3,473.07	3,483.07	10.00	0.29
MOEX Russia Index	Russia	3,289.02	3,277.08	-11.94	-0.36
S&P 500 INDEX	USA	3,756.07	3,714.24	-41.83	-1.11
FTSE 100 INDEX	United Kingdom	6,555.82	6,423	-132.82	-2.03
DOW JONES	USA	30,606.48	29,982.62	-623.86	-2.04
SENSEX 30-BSE	India	47,751.33	46,285.77	-1,465.56	-3.07

CONCLUSION:

The month of January, 2021 witnessed a positive trend and remained above the 40,000 point threshold in the entire month, exhibiting a startling average of 45,715 points. This figure itself delineates significant investor interest in equity portfolios of Pakistan where the expectation for the year 2021 is to cross the 50,000 mark. This is owing to the opening of global and local capital markets after the pandemic and resilient government policies adopted to remove operational bottlenecks, deregulate the economy, and strengthen safety nets for the financial system to triumph over crises and uncertainties. These efforts bore positive results as the KSE-100 performed best amongst the leading global and regional stock indices displaying commitment of the government and other stakeholders in successfully digressing requirements of the capital markets in the Post-COVID situation to uphold investor confidence. Even leading global bourses like US-based S&P 500 Index and UK-based FTSE 100 Index closed in red owing to political uncertainties and threat of a new COVID variant, respectively. With the government leading from the front and investors gearing up their interest in the energy and cement sectors, it is expected that the equity market gains would continue in the month of February, 2021.