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

Review of

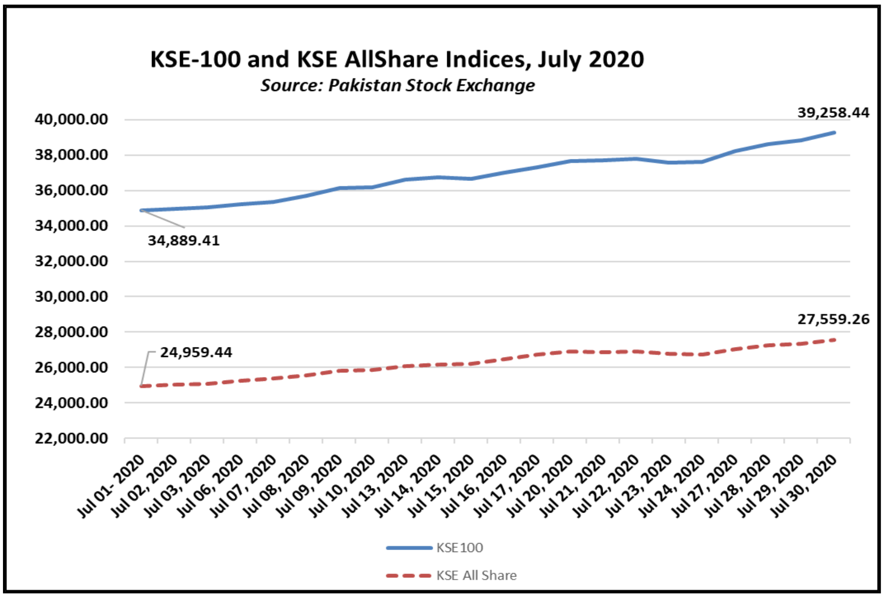
Capital Market Developments- I (July-2020)

Performance of KSE Indices

Pakistan Stock Exchange (PSX) witnessed a much better performance during July, 2020 as compared to the previous month. The benchmark KSE-100 index closed at **39,258.44** by gaining **4,836.52** points **(14.05%)** as compared to previous month, while KSE-All Shares index closed at **27,559.26** by gaining **2,898.95** points **(11.75%)**. The KSE-100 reported maximum and minimum of 39,258.44 and 34,889.41points respectively. Average traded value and volume of PSX were recorded at Rs. 14.72 Bln and 379.48 Mln shares for the month of July, 2020. The average of KSE-100 in July 2020 was 36,871.92 points.

Main reasons for overall gain of points at the bourse were: decreasing trend for new COVID patients and increasing trend of recoveries in Pakistan from COVID-19 virus, postponement of SBP monetary policy till September to keep interest rate stable to 7percent, inauguration of construction work of Diamer-Bhasha Dam, impressive performance of banking industry, and ECC decision to revise POL prices.

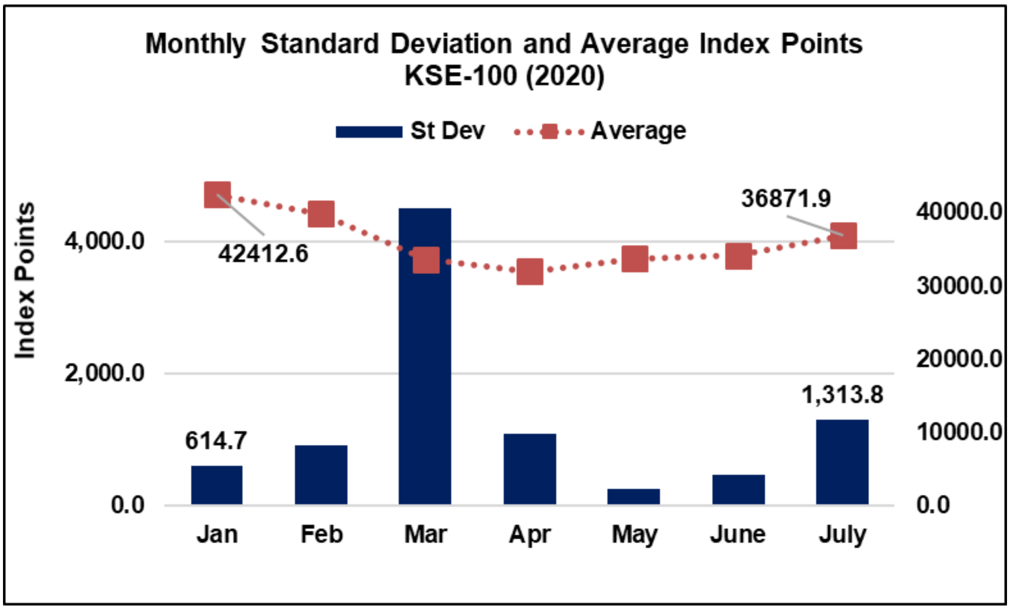
Graphical representation of KSE-100 and KSE-All Share index during July, 2020 is depicted below:



Highlights

- KSE-100 index gained **4,836.52** points **(14.05%)** 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 remained slow as it only gained 267 points.
- The **average of KSE-100** in July 2020 was **36,871.92** points.
- Average traded value and volume of PSX were recorded at Rs. 14.72 Bln and 379.48 Mln shares for the month of July, 2020.
- Market capitalization exhibited overall upward sloping trend with **gain of Rs. 764.56 Bln (11.71%)** on month-on-month basis to reach Rs. 7,294.27 Bln by end of July, 2020.
- **KSE 100** registered highest gain of **14.05%** as compared to other indices whereas, **FTSE 100 (3.17%)** witnessed the highest 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 seven months has shown high variation. However, the standard deviation values for the months of June and July have shown considerable relative change in the period Jan-July, 2020. The standard deviation was significantly lower in May, 2020 as compared to all other months of the year, which was a good sign of stability in the markets. However, from May-July 2020, there is an upward trend in the standard deviation of index points which implies the market is trading and increasing riskiness.

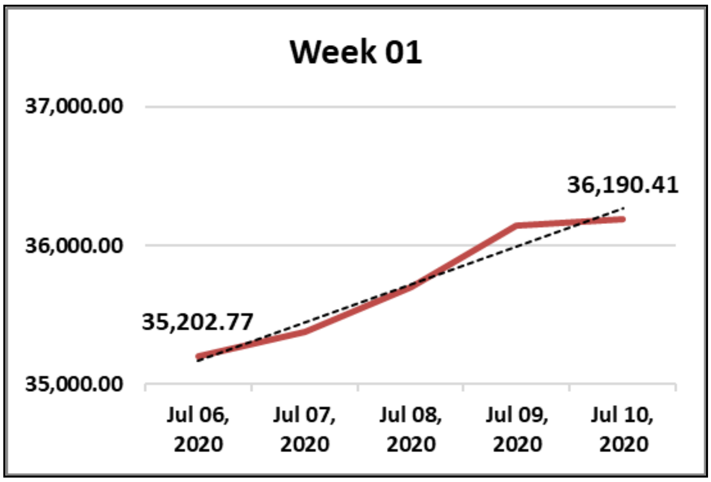
The average values of KSE-100 of each month displayed at the secondary axis of the above diagram reveals that there is an increase in the average from June to July 2020 which shows better performance at the bourse in this month. It posited an average of 36,871.92 points which was 2,682.55points (7.84%) more than the average of June, 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 March, 2020.

WoW Basis Analysis

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

1st Week:

The first week of July, 2020 witnessed a steeply upwards trend in the KSE-100 Index and closed with a gain of 1,139.03 points (3.24%) and 754.80 points (3.00%) at KSE-AllShare Index to settle at 36,190.41 and 25,841.82points respectively. While the average traded value and volume of this week were recorded at Rs 12.336 Bln and 348.806 Mln shares respectively.

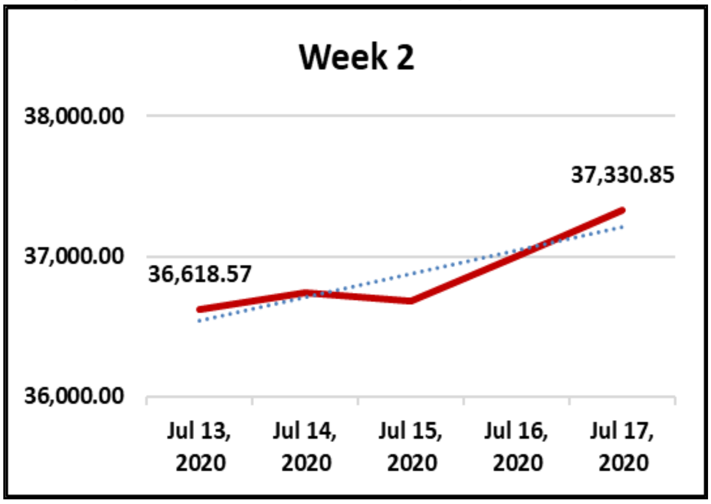


The PSX gained 321.54 points and 447.2 points on 8th and 9th July, 2020. This ten-day continuous bullish trend at the bourse was initiated after the State Bank of Pakistan (SBP) announced on 26th June, 2020, a cut of 100 basis points in the policy rate to reach at 7.0 percent from 8 percent. Investor confidence was further bolstered by the decreasing trend for new COVID patients and increasing trend of recoveries in Pakistan from COVID-19 virus.

Besides these, other positive elements induced to raise the PSX index included: rise in cement price by Rs. 20 per bag, reduction in mark-up by SBP on two schemes to provide balancing, modernisation and replacement of existing projects and give impetus to investors to initiate new investment projects: Long Term Financing Facility (LTFF) for non-textile sector from 6pc to 5pc and Temporary Economic Refinance Facility (TERF) from 7pc to 5pc, and decision of the National Coordination Committee on Housing, Construction and Development to facilitate the affordable housing schemes for low income groups.

2nd Week:

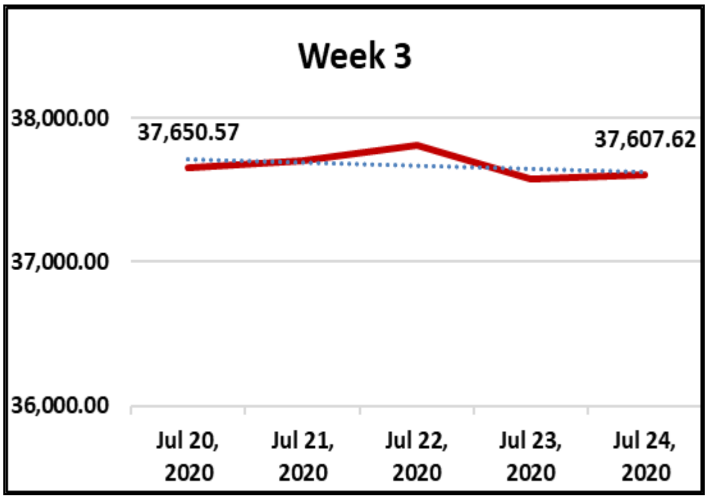
The second week of July, 2020 displayed an upward trend similar to the previous week by closing with gain of 1,140.44 points (3.15%) for KSE-100 and gain of 899.39points (3.48%) at KSE-AllShare Index to settle at 37,330.85 and 26,741.21points respectively. While the average traded value and volume of this week were recorded at Rs16.576 Bln and 432.4025 Mln shares respectively.



The stock exchange performance in the second week remained bullish because investors were encouraged to buy stocks in the whole week except on 15th July, 2020 when the bourse lost 66.19 points-investors showed mixed sentiments and mostly resorted to profit-taking on this day after a 13-day bullish rally. However, the market gained momentum immediately the next day and closed with positive gains of 322.41 and 329.41 points on Thursday and Friday respectively. This fast recovery was attributed to many factors like: inauguration of construction work of Diamer-Bhasha Dam by the Prime Minister, direction of SBP to commercial banks to allocate 5% of their portfolio for the construction sector, subsidy of 0.3 million subsidy for the first 0.1 million houses under the Naya Pakistan Housing Scheme and increase of drug prices by 10% to encourage pharmaceutical investments.

3rd Week:

During third week of July, 2020 the bourse experienced stabilization phase. The KSE-100 index gained 276.77 points (0.74%) on WoW basis, but loss of 21.89 points (0.08 %) was seen at KSE-AllShare Index; both indices settled at 37,607.62 and 26,719.32points respectively. The week encountered very high gain for the third day and high loss on the fourth day. This extremity in index points caused the contradiction between average linear trend display and WoW basis calculation.



The average traded value and volume of this week were recorded at Rs. 16.326 Bln and 412.472 Mln shares respectively.

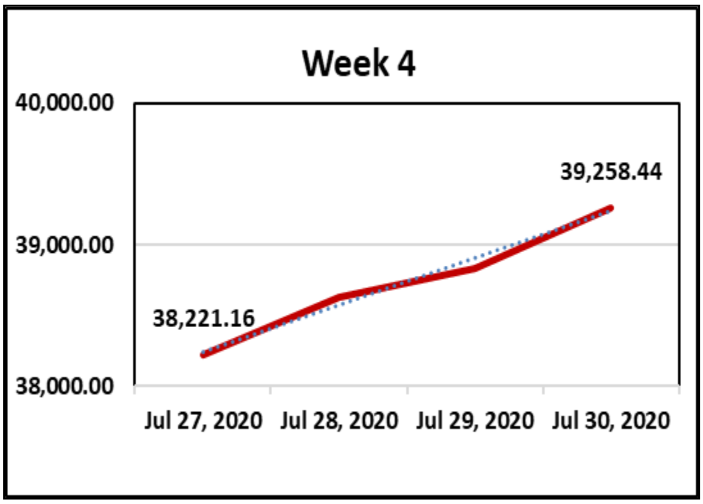
The bull run from previous week continued from 20th July to 22nd July, with the KSE-100 index gaining an impressive 319.72 points on Monday to settle at 37,650.57. Investor participation increased as confidence continued to grow, and the volume turnover of share lifted to 554 million shares on this day which represented as the highest daily turnovers for the month. Investors showed keen interest in investing in shares of cement, pharmaceutical, automobiles, refineries, auto parts and accessories, and power industries.

Stocks deeply plunged on the fourth day (Thursday, 23rd July, 2020) by losing 226.40points. The major reasons for this sudden decline were selling of equity by nervous individual investors who were cautious of the shorter next week before the Eid; uncertainties about the upcoming monetary policy; and profit-taking. Shares across the board fell with major drops seen in the cement, automobile, pharmaceutical, exploration and production and oil marketing companies.

The last day of the week (Friday) showed meager gain of 29.41 closing at 39,258.44 points. The bullish trend crept in the second-half of the day with a massive boost coming from the banking sector after Habib Bank Ltd announced good financial results.

4th Week:

In the fourth week of July, 2020 the Pakistan stock market gained 1,650.82 points (4.38%) at KSE-100 and 839.94 points (3.14%) at KSE-AllShare Index to settle at 39,258.44 and 27,559.26 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.

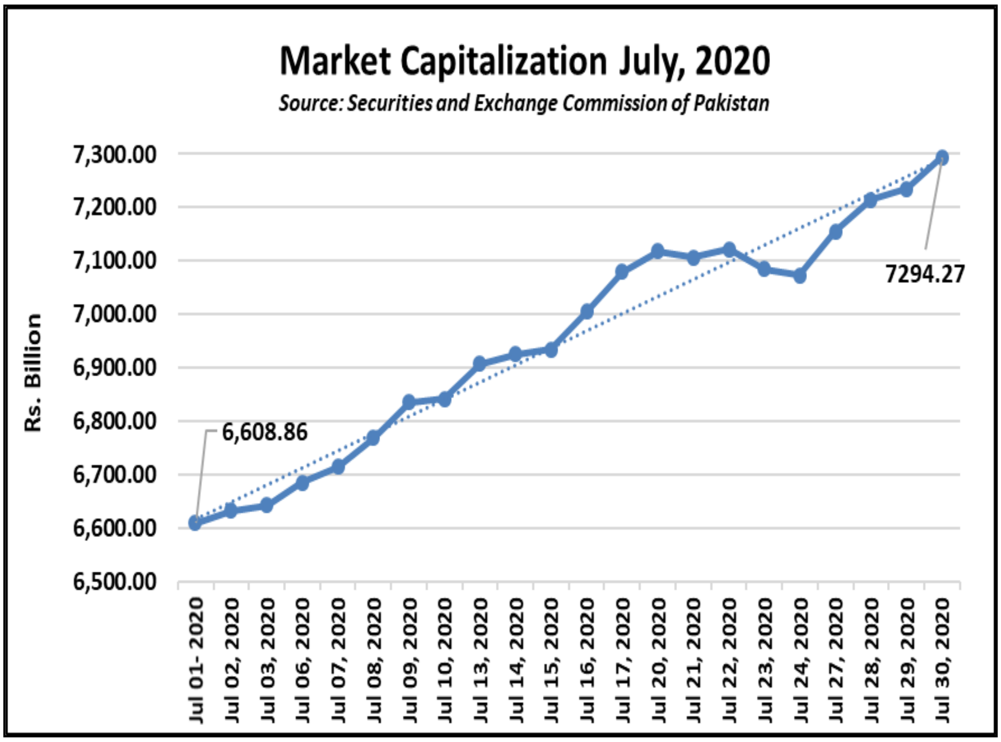


The week showed good recovery and a steeply upward trend after stabilization during the previous week. The shortened week surprisingly witnessed high gains for each trading session. Commercial banks, cements, pharmaceuticals, automobiles, engineering and oil marketing companies combined to keep the market in deep green throughout the week.

Investors regained confidence primarily because of thriving performance of the banking scrips, SBP’s decision to not hold monetary policy meeting until September as the interest rate had been streamlined with a total cut of 625 basis points during the previous months, loans worth $505 million received from World Bank during the week with the rupee-dollar parity settling at Rs166.98, reports regarding IMF providing technical assistance to extricate Pakistan from FATF grey list helped market gain further confidence, government also managed to raise Rs168 billion in Treasury bill auction with yields going up due to postponement in monetary policy meeting. Other major news included; SBP expansion of scope of Shariah-compliant financial services; Economic Coordination Committee`s approval to revise POL products prices on fortnightly basis led to frenzied buying in the Oil Marketing Companies (OMCs); and the government setting Rs1.5bn subsidy for local tractors.

Update on Market Capitalization

Market Capitalization for the month of July 2020 experienced a steeply upward trend, in congruence with the trend at the bourse. The month began with Mkt Cap at Rs. 6,608.86 Bln and **gained Rs. 764.56 Bln (11.71%)** on month-on-month basis to reach Rs. 7,294.27 Bln by end of July, 2020. Mkt Cap reported maximum and minimum of 7,294.27 and 6,608.86 Bln respectively. The average of Mkt Cap in July 2020 was 6,953.61 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 and NIKKEI 225.

KSE-100 registered the highest gain of 4,836.52 points (14.05%), followed by SSE Composite Index (10.90%) and SENSEX 30-BSE (7.71%). FTSE 100 Index with loss of 196.01 points (3.17%) witnessed the highest loss this month, followed by NIKKEI 225 (2.59%). HANG SENG-HK collected meager gains of 168.16 points (0.69%) this month. The table below presents percentage change in the leading world stock market indices from end June, 2020 to end July, 2020.

Trends in World Stock Market Indices (July-2020)					
Index (Month End)	**Country Name**	**30-06-20**	**31-07-20**	**Change Δ**	**% Δ**
KSE-100	Pakistan	34421.92	39,258.44	4,836.52	14.05
SSE Composite Index	China	2,984.67	3,310.01	325.34	10.90
SENSEX 30-BSE	India	34,915.80	37,606.89	2,691.09	7.71
NASDAQ 100	USA	10,058.77	10,745.27	686.50	6.82
MOEX Russia Index	Russia	2,743.20	2,911.57	168.37	6.14
S&P 500 INDEX	USA	3,100.29	3,271.12	170.83	5.51
DOW JONES	USA	25,812.88	26,428.32	615.44	2.38
HANG SENG-HK	Hong Kong	24,427.19	24,595.35	168.16	0.69
NIKKEI 225	Japan	22,288.14	21,710.00	-578.14	-2.59
FTSE 100 INDEX	United Kingdom	6,186	5,989.99	-196.01	-3.17

Conclusion:

The month of July 2020 registered overall positive position at the bourse with markets closing in green for all (except two) trading sessions making it the most successful month amid the COVID-19 pandemic. The market crossed the 39,000-index point threshold on the last trading day of July, 2020- this had not occurred since March, 2020. The linear trendline sloped upward and the market gained approximately 200 points on daily basis. The KSE-100 Index posited an average of 36,871.92 points which was 2,682.55points (7.84%) more than the average of June, 2020, showing an impressive increase. The average traded volume was recorded at 379.48 Mln shares for month of July, 2020 which was 188.02 Mln shares (98.1%) more than the average of June, 2020. The first, second and fourth weeks of July 2020, exhibited high gains at the bourse, but the third week showed meager gains as the individual investors became wary of the fourth week shortened before due to Eid. Increasing recoveries of COVID-19 patients, postponement of SBP monetary policy till September, inauguration of construction work of Diamer-Bhasha Dam, impressive performance of banking industry, and ECC decision to revise POL prices contributed heavily in positive outlook of the stock exchange this month. The investors experienced stability, and subsequently increased equity investments in the money and capital markets, due to postponement of the monetary policy committee meeting till September, 2020. These sentiments are expected to build stability in the upcoming trading sessions of the capital markets in Pakistan.