

Faysal Asset Management

PSX – Outlook of Equity Market amidst Political Transition

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Our Dear Valued Investors,

With the closure of July 2017, the stock market marked the end of the turbulence on the political front that lately had pushed the market in a correctional phase post MSCI development. We, encourage our investors need to take advantage of the current attractive levels as the market has all the reasons to retest its recent peak during the next year.

Politics has considerably settled down but given the noise over the last few months it is natural to feel some consternation ahead of the break. Even so, the Index gained 2.1% last week (July 31st – Aug 4th), and return from CYTD low now stands at 7.1%.

We take any negative close of trading sessions as a mere hiccup and hinge the market to continue to trend upwards this month. Some sectors that have deeply under-performed in the last few months are Cements and Autos, and could potentially come in for a rebound this month. Cyclical sectors may face risks going forward but for now there's still some juice left in them.

We at FAML believe there's not too much to worry about as the market is overdue to rebound after the post EM-upgrade sell-off in June'17 when it shed 8%. We expect institutional flows to mainly guide direction of the index next week. Locals will continue cherry-picking and absorb foreign selling while excitement over earnings and pay-outs will likely keep activity on the higher side.

Emergence of certainty on the political front post panama verdict, smooth transition towards new cabinet and continuation of earnings season may lead to consolidation in the market with main blue chips stocks gaining steam. Equities are expected to consolidate as ~47K seems to face strong resistance. Ongoing result season is likely to drive participants to selectively choose stocks. Nevertheless, ample domestic liquidity in the market to drive institutional flows and likely to help index to overcome current resistance levels. Our long term bullish view is intact with strong liking towards E&Ps, banks, Power and steel. Most of the said sectors' earnings are positively correlated with Rupee depreciation.

The government is intact, new cabinet has been appointed and policies will broadly remain the same. Everything is alright with the world – at least for now!

We would also like to highlight here that all our debt and equity funds, particularly Faysal Margin Trading System Fund, Faysal Money Market Fund, Faysal Islamic Asset Allocation Fund, Faysal Saving Growth Fund and Faysal Income & Growth Fund are consistent top performers since 2017.

Investors with relevant risk profiles and investment horizons are advised to go through our Fund Manager Report for a detailed performance review of our mutual funds and select a scheme for investment according to their risk preference.

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