Local Bourse Unmoved by “Trump Slump”

At first investors saw the results of US presidential election, shrieked in horror as the PSX 100 index took nosedived by 760 points, however, later took sigh of relief and u-turned as they found solace in Donald Trump's, the 45th US president, winning speech, reverting to its bullish trend and reaching all-time highs. Even the global stocks that had buckled and plunged as ballots were being counted have since bounced back sharply and are behaving nothing like what was predicted in nightmare scenarios that flew around Wall Street in the weeks before the vote. Rather than tumble 10% as was forecasted by some international fund managers, the S&P 500 Index rallied.

The benchmark PSX 100 index has rallied positive with gains of 460 points today (Up 28% CYTD), disregarding any apparent consequences, mainly on the inherent theme plays of: i) CPEC developments, ii) PSX divestment, and ii) increase in foreign activity near official announcement of inclusion into MSCI EM (May’17), iv) strengthened corporate results and v) importantly, attractive/cheap index valuations than regional markets driving investor interest (Price to earnings ratio of 9.6x (2016) against Asia Pac regional average of 15.4x while offering ~5.0% DY versus 2.3% offered by the region), which shall help the market reach new highs.

Pakistan’s link with the United States weakened over the past decade and therefore the Donald Trump’s victory would have a little impact on the country’s economy or minimal direct implications. Developed markets have reached the saturation point and there are more opportunities in developing economies, which Pakistan should exploit to ward off possible negative fallouts of Trump policies.

Pakistan’s economy was dependent on US a decade back. North America used to be the country’s largest single trading partner and the main source of workers’ remittances. Over the course of last decade, US influence in Pakistan has gradually been decreasing, which is evident from trade flows between the two countries. Imports from US that were 25% of total imports 10 years ago are now around 15%. Exports that were 4.5% to US 10 years ago are now only 3.6%. Similarly, of the total remittances, a quarter used to come from the US 10 years ago which is now around 15%. Pakistan's economy has generally shown higher economic growth in Republican Party era compared to Democratic rule.

In view of the aforesaid, analyst views that this is certainly the right time to take positions and enter the local capital market (with suggested exposure in oil & gas, steel and banking sectors) through investing in Faysal Conventional & Islamic Asset Allocation Funds, pioneered to yield higher returns with great asset quality mix portfolios:

Key Facts:

- Top holding of FAAF & FIAAF remain SSGC, SNGP and CSAP, the 3 strong key plays in the gas infrastructure space which is witnessing tremendous growth over the next three years. SSGC and SNGP have rallied by 74% and 86% respectively Fiscal year to date (July to November), and we anticipate both stocks to continue their north bound journey. CSAP is the primary supplier for the pipes that are being used to develop the infrastructure and the stock is up 35% in the same time period.

- To take advantage of these plays, FAAF and FIAAF make ideal investment vehicles. Furthermore, these plays are insulated from the market turmoil due to Trump victory.

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