

Faysal Asset Management

PSX – Much awaited Clarity to Drive Equity Market

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Our Dear Valued Investors,

It is only natural for you to want assets with the best possible performance and lowest costs, but the secret to building wealth has a lot to do with the choices of your investment avenues to achieve higher returns and more on your savings rate.

In other words, the amount of money you contribute to your funds at FAML is far more important than what investment vehicles the money is parked in, as you can control the former but not the latter, showing your trust and confidence in us as we strive to grow your wealth in a halal and wise manner.

So, the earlier you start saving, the better, because we strongly view positivity as clouds of uncertainty have been cleared now.

With the PML-N government still intact, the swift decision to nominate current Punjab CM Shahbaz Sharif for Prime Minister (after a transition period) will likely lead to a relief rally in the PSX-100, continuing the reversal that saw it recover 3.8% from its intraday low on Friday.

Thus, as political clouds begin to clear with the decision in the long-drawn-out Panama Papers case, we anticipate that the benchmark PSX 100-share Index will now make a smart recovery and march again towards the much-trumpeted 50,000-point level by the end of December 2017 if status quo was maintained in economic policies and the rupee-dollar parity stood unchanged.

Moreover, value buying will help the market recover significantly, whilst economic fundamentals of the country and ongoing corporate results season should keep the market on an upward path going forward. However, political and macroeconomic challenges remain; pertinently surmounting the growing external account bottlenecks that pose a risk to the national economy as well as the stock market, need to be managed very carefully.

Also, since the local equity market is currently trading at forward Price to Earnings ratio (8.5x), lower compared to Asia Pac regional average of 13.4x while offering twice as better dividend yield of ~5.2% versus ~2.6% offered by the region, we expect politics to take a backseat and market fundamentals to start dictating sentiments on the bourse, reflecting there is room for stock pickers' market.

With clarity now at hand,

We suggest that our investors should focus on investing with Faysal Funds being managed as equity related funds (with flavors of conventional & Islamic asset allocation and balanced category), that invests in scrip which offer i) strong earnings growth and ii) reasonable dividend yields.

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