

100bps Shock: MPC Reignites Tightening Cycle

The Monetary Policy Committee delivered an aggressive 100bps rate hike, bringing policy rate to 11.50% effective April 28, 2026, citing the prolonged Middle East conflict as the primary catalyst behind a materially deteriorated inflation outlook. The decision reflects the MPC's shift toward front-loaded tightening and prioritising inflation expectations management over growth support.

On the inflation front, headline CPI accelerated to 7.3% in March, while core inflation — the more structurally meaningful metric — edged higher to 7.8%, already breaching the upper bound of the 5–7% target range. Critically, the MPC now projects inflation pushing into double-digit territory in coming months, driven by energy price pass-through feeding into transport fares and logistics costs. Contained food inflation offers only a partial offset. The Committee explicitly acknowledged that inflation will remain above the target ceiling for most of FY27, underscoring the tighter-for-longer policy trajectory.

Three key risk variables dominate the forward outlook: the duration and intensity of the Middle East conflict, the extent of global energy price pass-through into administered domestic prices, and the risk of fiscal slippage that could complicate the IMF programme anchor. For equity markets, the implications are straightforward — discount rates rise, multiples compress, and cost of debt increases across leveraged balance sheets. Banks remain the structural beneficiary of this rate environment, while more leveraged sectors including cement, textile, and steel would face some negative earnings impact.

Impact of Policy Rate Hike (100bps)			
Sector	Symbol	Net EPS Impact (PKR)	Net EPS Impact (%)
Commercial Banks	BOP	0.39	3.46%
	AKBL	1.28	3.38%
	NBP	3.24	3.37%
	UBL	3.76	3.07%
	ABL	2.27	3.00%
	SNBL	0.28	2.87%
	BAFL	0.60	2.87%
	BAHL	1.82	2.65%
	HBL	2.73	2.55%
	FABL	0.82	2.45%
	MCB	2.59	2.25%
JSBL	0.07	2.18%	
MEBL	2.33	1.99%	
Exploration & Production	PPL	0.17	0.58%
	OGDC	0.34	0.99%
	POL	0.72	0.87%
Textile	NML	(1.17)	-6.82%
	GATM	(0.52)	-7.36%
	ILP	(0.34)	-3.74%
Automobile Assemblers	INDU	8.21	2.40%
	HCAR	(0.28)	-1.42%
Cement	LUCK	(1.11)	-1.77%
	FCCL	(0.03)	-0.49%
	MLCF	(0.46)	-3.53%
Engineering	ISL	(0.17)	-2.30%

Source: Company Financials, HMFS Research

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