

WEEKLY REPORT

FROM TENSION TO TRACTION

DATE:

Friday, April 10, 2026

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Major Events

During the week, the stock market was impacted by a combination of news and events that had a considerable effect on its direction. Key events that shaped the market's trend included:

Pakistan's Diplomatic Breakthrough: Ceasefire Mediation and the Resilience of External Flows

Pakistan's emergence as a credible geopolitical mediator marks a defining moment in the country's foreign policy trajectory, with the successful brokering of a ceasefire between the US and Iran as the four-week US-Iran conflict, which had threatened to structurally disrupt global energy markets, was brought to a temporary halt through active Pakistani diplomatic engagement — an outcome formally acknowledged at the highest levels of global leadership. President Donald Trump officially announced a two-week peace stance, under which both parties agreed to cease hostilities and reopen the Strait of Hormuz — a critical maritime chokepoint facilitating approximately one-fifth of global oil shipments. The White House also confirmed that US Vice President JD Vance will lead a high-level delegation to Pakistan to advance negotiations toward a more durable peace framework — further cementing Pakistan's role as an indispensable regional speaker. From a macroeconomic standpoint, global crude oil prices declined approximately 15% immediately following the ceasefire announcement, offering meaningful relief to Pakistan's import bill and inflationary dynamics. Finance Minister Muhammad Aurangzeb confirmed that Gulf remittances remained stable throughout the conflict, while Pakistani agricultural exports to Gulf markets maintained an upward trajectory. Shipping authorities further confirmed the absence of war-related freight surcharges, preserving export competitiveness across trade corridors. Nevertheless, material risks persist. The ceasefire remains time-bound and conditional, with substantive negotiations still underway. A breakdown in talks would swiftly reverse the oil price correction, reignite inflationary pressures, and re-expose Pakistan's fragile external account to renewed vulnerability — underscoring that the durability of diplomatic gains will prove as consequential as the gains themselves.

Sovereign Credibility and Economic Momentum

Pakistan demonstrated meaningful progress across its external account, energy transition, agricultural trade, and industrial investment landscape this week, reinforcing a broader narrative of macroeconomic stabilization and improving sovereign credibility. On the external debt front, Pakistan repaid USD 1.43bn in obligations, comprising a USD 1.3bn Euro-bond that matured on April 8 and USD 126mn in coupon payments on existing issuances — executed on schedule and in full. The seamless execution of these large repayments strengthens Pakistan's standing with global investors and multilateral financial institutions at a critical juncture in its IMF program. On the energy side, the Asian Development Bank is expected to extend financial and technical support toward battery storage integration and power sector digitization,

Major Events

complementing the sector's growing reliance on indigenous resources including hydel, solar, and local coal. Separately, Russia's lifting of its ban on Pakistani potato imports opens a new export corridor for a bumper 12mn tonne crop, with approximately 4mn tonnes available for export — a development that will support farmer incomes, stabilize domestic prices, and generate incremental foreign exchange. Further bolstering the industrial outlook, Service Long March Tyres announced an additional USD 120mn investment in Pakistan, targeting USD 70mn in exports by June 2026 and USD 100mn thereafter.

Structural Headwinds Mount: Growth Revision, Energy Cost Pressures, and Supply-Side Vulnerabilities

Pakistan's recovery story is facing a reality check. The World Bank, in its April 2026 MENAP Economic Update, trimmed its FY26 real GDP growth forecast to 3.0% — down from the 3.4% projected just six months prior in October 2025 — pointing to inflationary pressures as the primary drag. With FY25 growth clocking in at 3.1%, the trajectory is effectively flat, a sobering signal at a time when the government needs visible economic momentum to support its IMF program commitments. Energy costs, meanwhile, are tightening from multiple directions. NEPRA approved a PKR 1.42 per unit increase in electricity tariffs under the February 2026 Fuel Cost Adjustment, adding yet another layer to the cumulative burden on consumers and industry. Petroleum dealers are pushing back hard, arguing that the existing PKR 8 per litre commission no longer covers rising wages, utilities, and a 0.75% digital transaction fee — and have threatened a nationwide shutdown if relief is not extended. On the other side of the equation, domestic refineries appear to be capturing windfall diesel margins estimated at PKR 22bn per month, fuelling calls for a 50% windfall tax that could recover approximately PKR 33bn over three months. Adding to the cost stack, the government is weighing a doubling of the Carbon Levy from PKR 2.5 to PKR 5 per litre in FY27. Agricultural supply risks are also building quietly. A potential urea shortfall of up to 500,000 tonnes looms over the Rabi 2026–27 season, driven by partial shutdowns at Fatima Fertilizer, FFC Port Qasim, and Agritech. If plant operations remain constrained through the season, supply gaps could translate into higher input costs, pressuring crop yields and feeding directly into food inflation — an area Pakistan can ill afford further stress in.

Other News

IMF assured on civil servants' asset declarations, NAB autonomy: Pakistan has shared with the International Monetary Fund (IMF) in writing its commitment to implement anti-corruption measures, including the publication of asset declarations of civil servants by the end of December 2026 and granting autonomy to the National Accountability Bureau (NAB) under a Structural Benchmark (SB) by January 2027.

IMF asks Pakistan to remove fuel price distortions amid subsidy pressures: The International Monetary Fund (IMF) has asked Pakistan to eliminate distortions in petroleum pricing at the earliest, even though it had tacitly accepted the Rs152 billion subsidy cap extended by the federal government to consumers amid a historic global price surge following the US-Israel attacks on Iran and the closure of the Strait of Hormuz.

Budget 2026-27: IMF to dispatch mission to Pakistan next month: The International Monetary Fund (IMF) plans to dispatch its mission to Pakistan next month to finalise the upcoming budget for 2026-27, as the Fund envisages the FBR's tax collection target of Rs15.564 trillion for the next fiscal year. It is the wish of the Pakistani budget makers to fix the FBR's target in the range of Rs15.232 trillion, knowing that the tax machinery will not be able to materialise the tax collection target of Rs13,979 billion for the ongoing fiscal year.

Fuel prices may drop sharply in Pakistan: Prices of high-speed diesel (HSD) and petrol may fall significantly in the next fortnightly review following a drop in global crude oil prices, driven largely by the recent ceasefire between the US and Iran, industry sources said on Wednesday. Initial estimates suggest HSD prices could decline by up to Rs100 per litre, while petrol may become cheaper by around Rs60 per litre.

Central govt debt rises by 9.4% YoY in Feb 2026: The total debt of the central government went up by 9.37% YoY to Rs79.88 trillion in February 2026, compared to Rs73.04tr in February 2025, the data released by the State Bank of Pakistan (SBP) showed. Moreover, on a sequential basis, the central government debt increased by 0.7% MoM compared to Rs79.33tr in January 2026.

Beijing says Islamabad, Kabul agree to ease tensions: Pakistan and Afghanistan have agreed to avoid any escalation in their armed conflict, during talks hosted by China in recent days, Beijing said on Wednesday. "Representatives from China, Afghanistan and Pakistan held a week of informal meetings in Urumqi, Xinjiang, from April 1 to 7," Chinese foreign ministry spokeswoman Mao Ning said.

Super tax can't be offset, rules high court: The Islamabad High Court has upheld the validity and enforceability of the 'super tax' under Section 4C of the Income Tax Ordinance 2001, ruling that it is a standalone levy and cannot be offset through the adjustment of withholding taxes.

Sindh govt to buy wheat worth Rs87.5bn, says minister: Sindh Minister for Food Makhdoom Mehboob-uz-Zaman has said that the provincial government will procure one million tonnes of wheat from growers at an estimated cost of Rs87.5 billion, ensuring stability in the market and safeguarding the interests of growers.

Assemblers raise e-bike prices as demand grows: Amid rising demand due to a sharp increase in petrol prices, electric bike assemblers have raised their prices by Rs5,000. The assemblers attribute the increase to higher sea freight costs, rising logistics expenses in transporting imported parts from Karachi seaport to factories, and elevated transportation costs caused by soaring diesel prices.

Other News

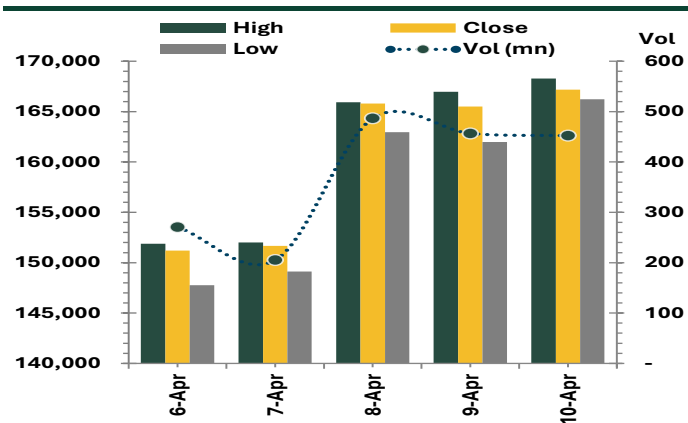
Sindh flags Tarbela delays, warns of Kharif water crisis: The Sindh government has expressed grave concern over 'persistent delays' in Tarbela Dam infrastructure works by Wapda, which have been causing severe operational constraints for Sindh and posing an imminent threat to the kharif crop season.

Equity Market Review

Summary

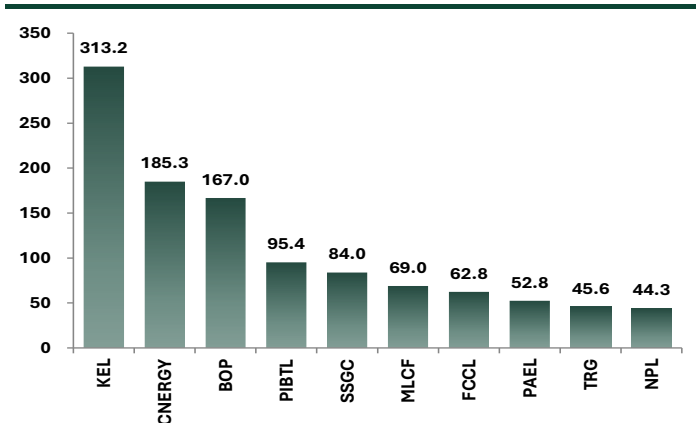
After a weak start to the week, the Pakistan Stock Exchange staged a decisive turnaround as sentiment gradually improved on the back of evolving geopolitical developments and easing macro concerns. Early sessions remained under pressure due to persistent uncertainty surrounding regional tensions, elevated oil prices, and near-term external repayment obligations, resulting in cautious positioning and sharp intraday swings. However, as the week progressed, improving signals on the diplomatic front prompted renewed participation, with investors selectively building exposure at more attractive valuation levels. This shift culminated in a powerful momentum phase, highlighted by a single-session surge of over 14,000 points following ceasefire-related developments, which significantly strengthened risk appetite and reinforced the recovery trend. Sectoral participation remained constructive throughout the rebound, with banking, fertilizers, and cement driving much of the upside on improved buying interest. Despite intermittent volatility driven by shifting headlines, the market consistently attracted dip-buying, reflecting underlying resilience and sustained liquidity support. Trading activity remained robust, with average daily volumes of 374.28mn shares on the KSE-100 Index and 756.49mn shares in the broader market, underscoring strong engagement amid heightened volatility. On a weekly basis, the KSE-100 Index advanced by 16,792.66 points to close at 167,191.37, marking a sharp and broad-based recovery against a turbulent external backdrop.

Daily Market Performance



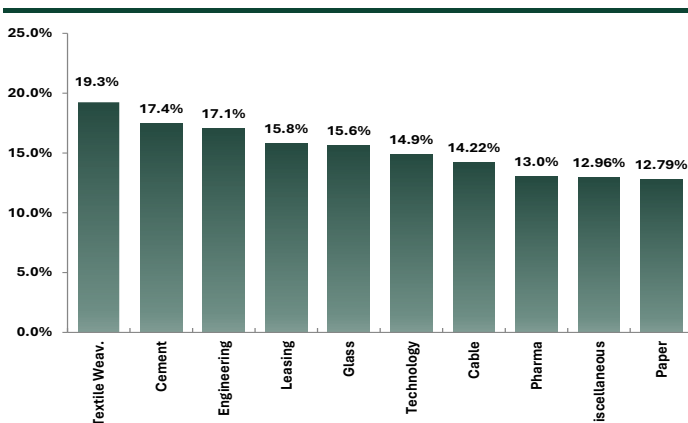
Source: PSX & HMFS Research

Top 10 Volume leaders (volumes in mn)



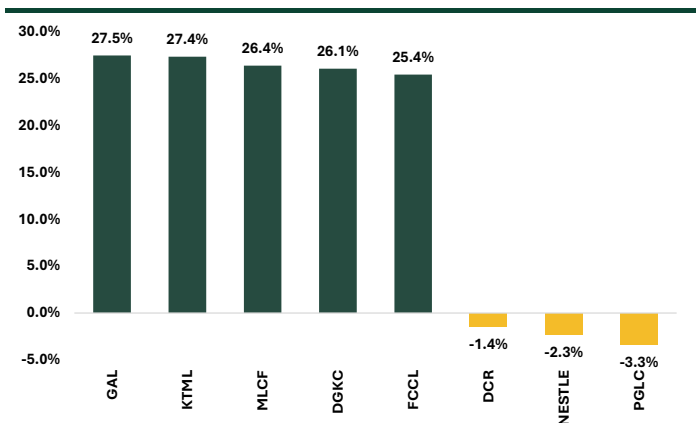
Source: PSX & HMFS Research

Sector Performance



Source: PSX & HMFS Research

Gainers & Losers (KSE-100 Index)



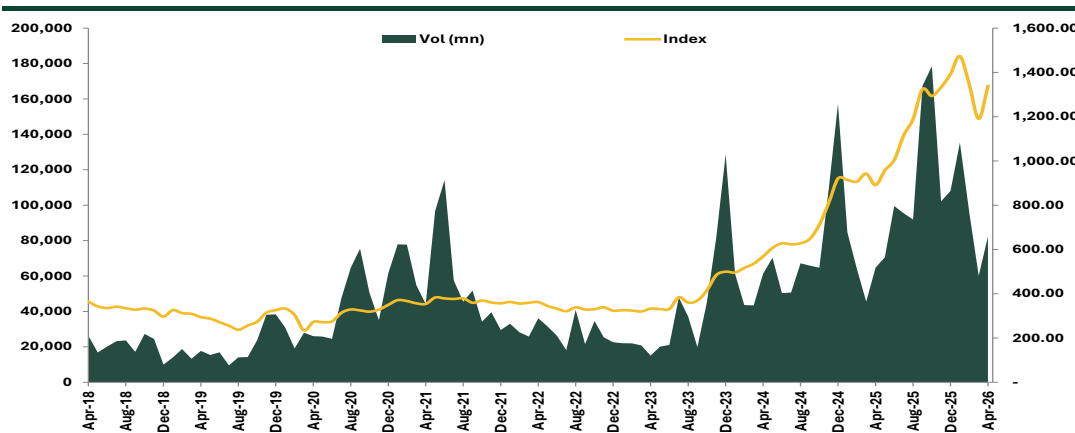
Source: PSX & HMFS Research

Equity Market Review

Outlook

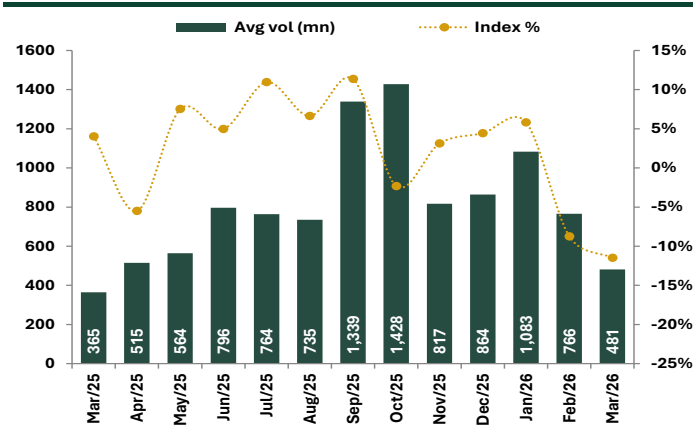
Going forward, the market is expected to remain closely tied to the evolving geopolitical landscape, with sentiment likely to respond swiftly to any developments on the diplomatic front. Continued engagement at the regional level may provide intermittent support, helping to anchor investor confidence during phases of uncertainty. On the macro side, the Asian Development Bank (ADB) has highlighted that Pakistan’s economy has stabilised and is showing improving momentum, underpinned by ongoing reform efforts, with medium-term growth expected to gradually strengthen, albeit with downside risks still firmly present and contingent on sustained policy continuity and external stability. Against this backdrop, the durability of the recent market recovery will largely depend on consistency in de-escalation trends and clarity on external account dynamics. Investor sentiment is expected to remain cautiously optimistic, with focus gradually shifting towards the upcoming corporate earnings season and key macroeconomic indicators for directional cues. Improved earnings visibility, coupled with attractive valuations in select blue-chip stocks, is likely to sustain selective accumulation. However, given the fluid external environment, intermittent volatility is expected to persist, reinforcing a disciplined, stock-specific investment approach.

Index Performance



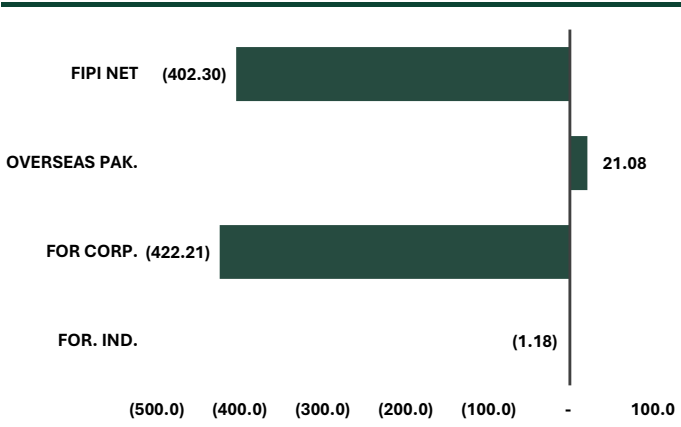
Source: PSX & HMFS Research

MoM Index gain vs Average Volume



Source: PSX & HMFS Research

FIPI (CYTD in USD mn)



Source: NCCPL & HMFS Research

Money Market Review

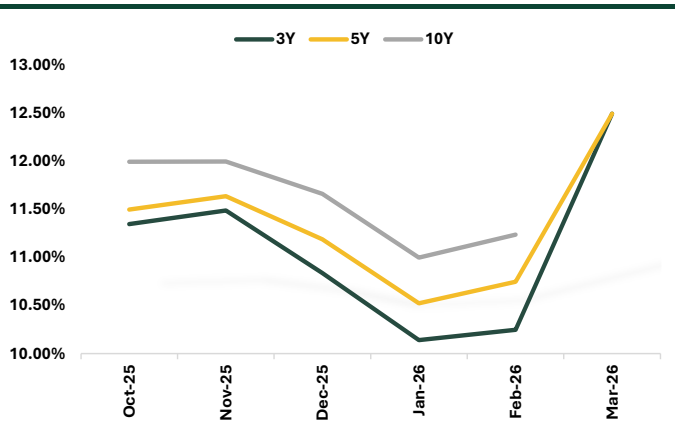
Summary

During the week ended April 10, 2026, no auction for Market Treasury Bills (MTBs) or Pakistan Investment Bonds (PIBs) was conducted. On the liquidity front, the SBP carried out a single Open Market Operation (OMO), injecting PKR 1.63tn into the banking system via a reverse repo purchase to meet near-term funding requirements and support interbank liquidity conditions.

Outlook

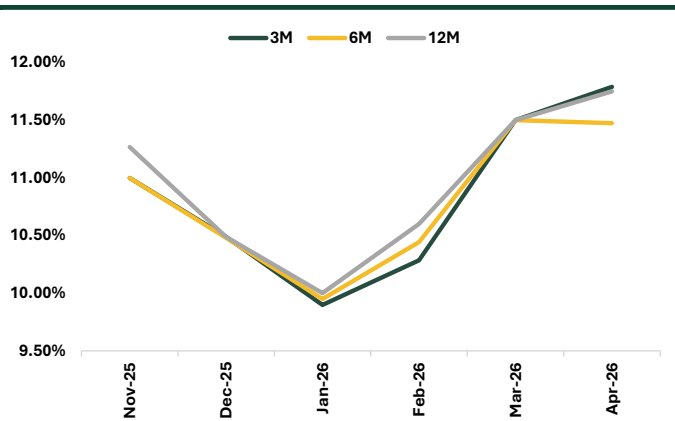
Looking ahead, money market rates are expected to remain elevated, with MTB cut-off yields from the prior auction already pricing in a premium above the prevailing policy rate of 10.5%. The recent sharp uptick in domestic fuel prices, underpinned by elevated global oil prices amid ongoing geopolitical uncertainty, is likely to sustain inflationary pressures and reinforce expectations of a tighter monetary stance. Pakistan's continued adherence to IMF program conditionalities — including the maintenance of a restrictive policy posture and exchange rate discipline — further supports the case for a higher-for-longer rate environment. Against this backdrop, market participation in upcoming auctions is expected to remain measured, with yields unlikely to lower down in the near term.

PIB Yields



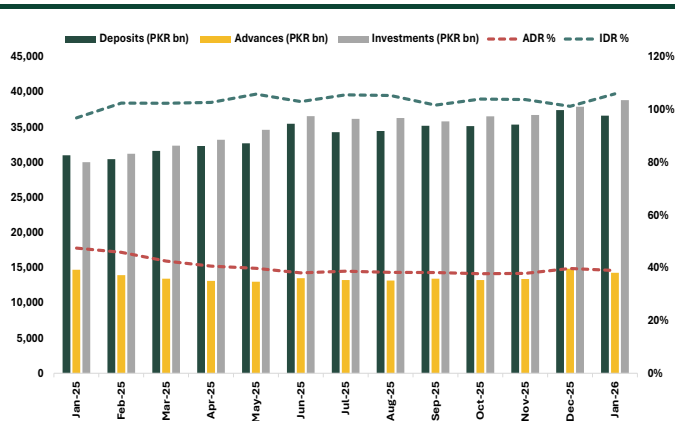
Source: SBP & HMFS Research

T-Bill Yields



Source: SBP & HMFS Research

Bank's ADR & IDR



Source: SBP & HMFS Research

Forex Market Review

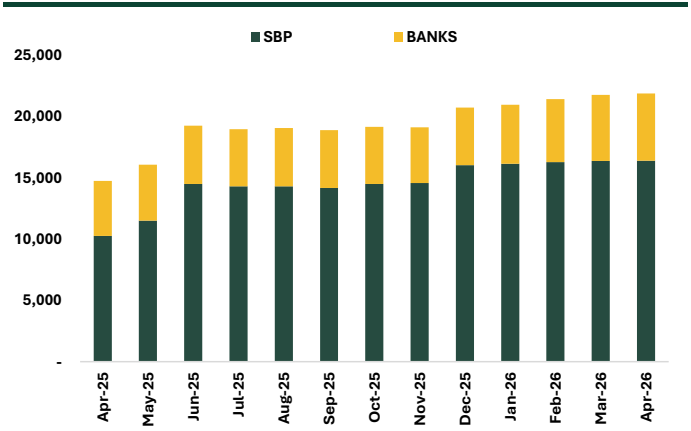
Summary

During the week ended April 03, 2026, Pakistan’s foreign exchange reserves registered a modest increase, supported by external inflows. Reserves held by the State Bank of Pakistan (SBP) rose by USD 18.6mn to USD 16.4bn. Similarly, reserves maintained by commercial banks increased by USD 86.7mn to USD 5.49bn. As a result, total liquid foreign exchange reserves expanded by USD 105.3mn to USD 21.89bn. Meanwhile, the Pakistani Rupee (PKR) remained broadly stable in the interbank market, closing at PKR 279.01 per USD as of April 10, 2026, amid relatively contained demand-side pressures.

Outlook

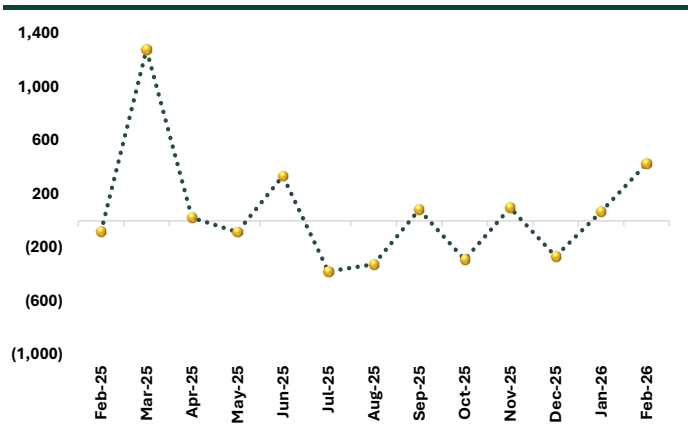
Pakistan’s foreign exchange reserves will remain a critical buffer, playing a pivotal role in anchoring market sentiment and mitigating excessive currency volatility. The country’s timely repayment of external obligations, including the USD 1.3bn Eurobond and associated coupon payments—underscores its commitment to debt servicing discipline, supporting sovereign credibility. However, the concurrent outflows, particularly the USD 2bn UAE deposit repayment and lack of rollover on USD 3bn, are expected to widen the external financing gap and exert pressure on FX reserves. Despite a downward revision in the SBP’s FX reserves target to USD 17.5bn by June 2026 under the IMF programme, achieving this threshold may become increasingly challenging without additional inflows or policy flexibility. Elevated oil prices further exacerbate the external account by increasing import bills and draining reserves. In this backdrop, the PKR may face depreciation pressures in the near term, although administrative controls and IMF engagement could help contain volatility to some extent.

Foreign Exchange Reserves (USD bn)



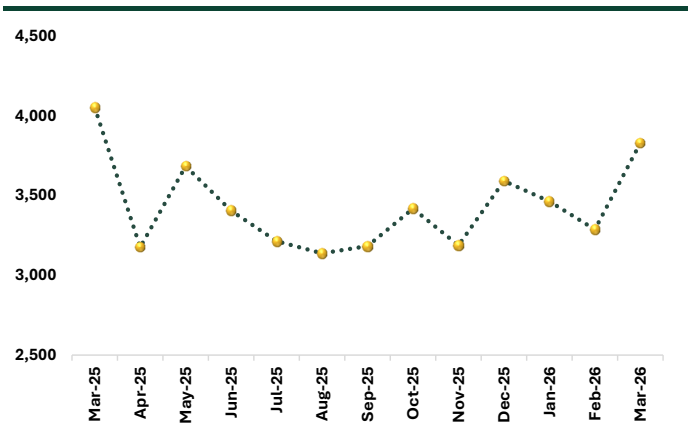
Source: SBP & HMFS Research

Current Account Balance (USD mn)



Source: SBP & HMFS Research

Remittances (USD mn)



Source: SBP & HMFS Research

Key Economic Indicators

Item	Units	Mar-26	Feb-26	Jan-26	Dec-25	Nov-25	Oct-25	%M/M	CY25	CY24	%Y/Y
Banking Indicators											
Return on Outstanding Loans	%	-	10.59%	10.63%	10.91%	11.15%	11.25%	-0.04%	11.74%	17.03%	-5.30%
Return on Deposits	%	-	4.97%	5.01%	5.35%	5.23%	5.23%	-0.04%	5.54%	10.77%	-5.23%
Interest rate Spread	%	-	5.62%	5.62%	5.56%	5.92%	6.02%	0.00%	6.20%	6.26%	-0.06%
Deposits	(PKR bn)	-	-	36,642	37,431	35,380	35,149	-2.11%	37,431	30,283	23.60%
Advances	(PKR bn)	-	-	14,291	14,880	13,421	13,279	-3.96%	14,880	16,009	-7.05%
Investments	(PKR bn)	-	-	38,839	37,910	36,732	36,547	2.45%	37,910	29,129	30.14%
ADR	%	-	0.00%	39.00%	39.75%	37.93%	37.78%	-0.75%	39.75%	52.87%	-13.11%
IDR	%	-	0.00%	105.99%	101.28%	103.82%	103.98%	4.71%	101.28%	96.19%	5.09%
Kibor (Ask Side)											
3-Month	%	11.03%	10.53%	10.39%	10.85%	11.16%	11.16%	0.50%	11.40%	18.81%	-7.41%
6-Month	%	11.12%	10.55%	10.39%	10.89%	11.19%	11.18%	0.58%	11.39%	18.58%	-7.19%
9-Month	%	11.50%	10.79%	10.62%	11.15%	11.44%	11.39%	0.71%	11.61%	18.50%	-6.89%
1-Year	%	11.57%	10.80%	10.61%	11.16%	11.47%	11.40%	0.76%	11.61%	18.21%	-6.60%
Avg. Exchange Rates											
USD		279.30	279.62	279.95	280.29	280.71	281.11	-0.11%	281.15	278.53	0.94%
Euro		322.83	330.91	328.56	328.43	324.52	327.24	-2.44%	317.82	301.36	5.46%
JPY		1.76	1.80	1.79	1.80	1.81	1.86	-2.41%	1.8811	1.8410	2.18%
GBP		372.54	380.06	378.54	375.40	368.67	375.43	-1.98%	370.72	355.94	4.15%
CNY		40.51	40.49	40.17	39.81	39.49	39.48	0.06%	39.11	38.70	1.07%
Inflation											
Avg. CPI	%	5.67%	5.46%	5.24%	5.10%	5.01%	4.73%	0.21%	4.49%	23.41%	-18.92%
Avg. NFNE	%	7.40%	7.10%	7.20%	6.90%	6.60%	7.50%	0.30%	6.90%	12.20%	-5.30%
Commodities											
Arab Light (Avg.)	USD/bbl	102.99	67.67	62.88	62.82	65.62	66.82	52.18%	74.89	86.22	-13.14%
External Sector (FY USD mn)											
Total Imports	(USD Mn)	4,995	5,290	5,805	6,081	5,306	6,087	-5.58%	58,387	54,937	6.28%
Total Exports	(USD Mn)	2,264	2,276	3,055	2,268	2,420	2,848	-0.53%	32,039	30,684	4.42%
Trade Balance	(USD Mn)	(2,731)	(3,014)	(2,750)	(3,813)	(2,886)	(3,239)	9.39%	(26,348)	(24,253)	-8.64%
Current Account Balance	(USD Mn)	-	427	68	(265)	98	(291)	527.94%	328	(313)	204.79%
Remittances	(USD Mn)	3,831	3,288	3,464	3,592	3,188	3,420	16.53%	38,300	30,251	26.61%
Oil Import Bill	(USD Mn)	-	1,199.40	1,186.10	1,183.09	1,007.78	1,293.23	1.12%	15,003.59	15,161.83	-1.04%

Source: SBP, PBS, Oilprice.com, HMFS Research

Note: % change is of last available month

*N/M: Not Meaningful

Valuation Guide

	Symbol	Period End	Stance	Current Price	Fair Value	FV Return	M. Cap	EPS			DPS			DY		P/E		P/B		ROE		Total Yield		
							PKR	2025 A	2026 E	2027 F	2025 A	2026 E	2027 F	2026 E	2027 F	2026 E	2027 F	2026 E	2027 F	2026 E	2027 F	2026 E	2027 F	CY-26/ FY-26
							Trn	PKR	PKR	PKR	PKR	PKR	PKR	%	%	x	x	x	x	%	%	%		
1	FFC	Dec	BUY	537.5	735.0	37%	773.5	51.7	50.3	53.8	37.0	43.0	46.0	8%	9%	10.7	10.0	4.7	4.4	44%	44%	45%		
2	EFERT	Dec	BUY	210.0	255.0	21%	280.4	17.0	28.5	31.0	15.0	26.7	27.0	13%	13%	7.4	6.8	5.4	4.9	73%	72%	34%		
3	INDU	Jun	BUY	1942.2	3267.0	68%	152.7	292.7	400.1	414.7	176.0	242.0	253.0	12%	13%	4.9	4.7	1.7	1.5	34%	31%	81%		
4	HCAR	Mar	BUY	179.0	232.0	30%	25.6	19.0	20.5	23.0	8.0	8.5	9.5	5%	5%	8.7	7.8	1.0	0.9	12%	12%	34%		
5	HBL	Dec	BUY	306.6	372.0	21%	449.7	45.5	43.2	48.5	20.0	18.0	18.0	6%	6%	7.1	6.3	0.9	0.8	12%	13%	27%		
6	MCB	Dec	BUY	411.5	476.0	16%	487.6	49.3	44.5	53.1	36.0	36.0	36.0	9%	9%	9.2	7.8	1.8	1.7	20%	22%	24%		
7	UBL	Dec	BUY	360.3	514.0	43%	902.4	64.0	60.5	55.2	45.0	44.0	44.0	12%	12%	6.0	6.5	1.1	1.1	19%	17%	55%		
8	BAHL	Dec	BUY	175.0	228.0	30%	194.5	29.2	31.0	31.0	15.0	15.0	15.0	9%	9%	5.6	5.6	1.1	1.0	19%	17%	39%		
9	ABL	Dec	BUY	180.2	254.0	41%	206.4	31.7	45.4	33.4	16.0	17.5	18.0	10%	10%	4.0	5.4	0.9	0.8	22%	15%	51%		
10	MEBL	Dec	BUY	501.0	565.0	13%	902.0	50.2	52.5	54.2	28.0	27.0	28.0	5%	6%	9.5	9.2	2.7	2.4	28%	26%	18%		
11	MUGHAL*	Jun	BUY	75.7	106.0	40%	25.4	2.8	2.8		0.0	0.0		0%		27.0		0.9		3%		40%		
12	ISL	Jun	BUY	80.5	148.0	84%	35.0	3.6	7.2	9.5	2.5	4.0	8.0	5%	10%	11.2	8.5	1.6	1.6	14%	18%	89%		
13	OGDC	Jun	BUY	299.9	427.0	42%	1,289.8	39.5	34.9	37.9	15.1	18.0	20.0	6%	7%	8.6	7.9	0.9	0.8	10%	11%	48%		
14	PPL	Jun	BUY	224.5	350.0	56%	610.8	33.8	29.7	34.9	7.5	8.0	10.0	4%	4%	7.6	6.4	0.8	0.7	10%	11%	59%		
15	POL	Jun	BUY	657.7	897.0	36%	186.7	85.2	82.4	88.0	75.0	90.0	92.0	14%	14%	8.0	7.5	2.2	2.2	28%	30%	50%		
16	LUCK	Jun	BUY	435.8	568.0	30%	638.4	52.5	62.8	79.0	4.0	6.5	15.0	1%	3%	6.9	5.5	0.7	0.6	10%	12%	32%		
17	FCCL	Jun	BUY	51.5	72.0	40%	126.4	5.4	6.5	8.2	1.3	1.5	0.0	3%	0%	7.9	6.3	1.4	1.1	18%	18%	43%		
18	MLCF	Jun	BUY	92.5	147.0	59%	96.9	16.3	13.0	23.0	0.0	0.0	0.0	0%	0%	7.1	4.0	1.5	1.1	21%	27%	59%		
19	NML	Jun	BUY	153.4	175.0	14%	53.9	17.1	17.1	19.8	2.0	3.0	3.0	2%	2%	9.0	7.7	0.4	0.4	4%	5%	16%		
20	ILP	Jun	BUY	83.0	128.0	54%	116.3	3.8	9.2	9.0	1.0	4.0	6.0	5%	7%	9.0	9.2	1.4	1.3	15%	14%	59%		
21	GATM	Jun	BUY	23.6	49.0	108%	17.5	5.4	7.0	5.2	0.0	0.0	0.0	0%	0%	3.4	4.5	0.3	0.3	10%	7%	108%		
HMFS Universe						42%	7,571.9							6%	7%	8.4	6.7	1.4	1.3	19%	21%	48%		

(*) Under Review (A) Actual (E) Estimated (F) Forecasted

Valuations may be revised following changes in monetary policy, fluctuations in relevant commodity prices, and the announcement of financial results, as well as other material macroeconomic or company-specific developments.

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HMFS RATING GUIDE

BUY	More than 15% Upside
HOLD	Between 15% Upside & 15% Downside
SELL	More than 15% Downside

Note: All fair value estimates are for a twelve month time horizon unless specified otherwise in the report
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