



WEEKLY REPORT

MARKET IN RETREAT

DATE:

Friday, February 13, 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:

Power Sector Rebalancing: Tariff Overhaul and Solar Policy Reset

The power sector underwent a significant structural recalibration during the week as authorities moved simultaneously on tariff rebalancing and solar policy reforms, signaling a decisive shift toward cost-reflective pricing and elimination of cross-subsidization. The National Electric Power Regulatory Authority (NEPRA) approved a revised two-part tariff structure allowing the federal government to impose fixed monthly charges of up to PKR 350 per kW on domestic consumers using up to 300 units — including protected users — while reducing industrial tariffs by around PKR 4.04 per unit, effectively removing nearly PKR 101–102bn in industrial cross-subsidies. The restructuring aims to recover a greater share of the PKR 2.56tn annual fixed capacity cost through fixed charges, increasing fixed-charge recovery by PKR 132bn to PKR 355bn annually and reducing reliance on volumetric billing. Concurrently, NEPRA replaced the existing net-metering regime with a net-billing framework, lowering export compensation for new solar prosumers to the National Average Energy Purchase Price (around PKR 10–11/unit) from the earlier PKR 26/unit, limiting system sizes to sanctioned loads, and tightening rollover provisions, citing grid stress and an estimated PKR 300bn cumulative burden on non-solar consumers amid rapid solar expansion (7,000MW on-grid; 13,000MW off-grid). However, following a backlash, Prime Minister Shehbaz Sharif halted implementation of the Prosumer Regulations and directed a review petition, underscoring the policy sensitivity of shifting financial burdens from industry to households while attempting to safeguard grid stability and long-term sector sustainability.

Banking Outlook Stabilizes as Policy Support Deepens and Agri-Finance Push Accelerates

Pakistan's financial sector showed signs of broad consolidation as sovereign-linked banking risks moderated, growth projections improved, and targeted support for exports and agriculture intensified. Moody's Ratings revised Pakistan's banking sector outlook to stable from positive, aligning it with the sovereign rating of Caa1 (stable), while noting banks' significant exposure to government securities — nearly half of total assets and around 9.4x equity — which tightly links sector strength to sovereign credit quality. The rating agency expects gradual improvement in operating conditions, projecting real GDP growth at 3.5% in 2026 and inflation around 7.5%, with profitability supported by higher lending volumes despite mild margin compression. Concurrently, the State Bank of Pakistan (SBP) upgraded its FY26 growth outlook to 3.75–4.75%, forecasting inflation within the 5–7% range and a contained current account deficit of 0–1% of GDP, while easing liquidity via a CRR cut to stimulate private-sector credit. In parallel, banks voluntarily reduced the Export Re-

Major Events

Refinance Facility (ERF) rate by 300bps to 4.50% under coordination with the Pakistan Banks Association, lowering exporters' financing costs within the existing PKR 1,052bn limit. Agricultural credit disbursements reached PKR 1.412tn in 1HFY26, supported by digitization, warehouse receipt financing, and insurance reforms, while the government also explored an Agriculture Development Cess on fertilizer firms to redirect windfall gains toward farmer support, alongside transitioning fertilizer plants to dedicated Mari gas supplies to ensure food security and sector sustainability.

Cross-Border Collaboration Catalyzes Trade and Investment

Pakistan intensified its regional and global economic integration through a coordinated push to expand trade, investment, and technology-driven partnerships across key sectors. Anchored by the launch of the Saudi-Pakistan Bridge Initiative, signed by the Pakistan Regional Economic Forum and Saudi Bridge in Riyadh, the initiative aims to facilitate B2B investment, cross-border collaborations, and joint ventures in energy, mining, logistics, healthcare, technology, food processing, construction, and industrial manufacturing over the next three years, with early projects already identifying potential joint ventures worth USD 500mn. Complementing this, Pakistan deepened bilateral cooperation with Uzbekistan, where Prime Minister Shehbaz Sharif and President Shavkat Mirziyoyev signed MoUs valued at USD 3.4bn across textiles, pharmaceuticals, agriculture, and tourism, establishing a five-year roadmap and joint anti-corruption initiatives. Strengthening trade facilitation, Pakistan Customs and the State Customs Committee of Uzbekistan have operationalized the electronic exchange of pre-arrival Customs information, improving risk assessment, streamlining declarations, and reducing consignment dwell time at borders — the first in a planned series of regional data-sharing agreements under the Central Asia Regional Economic Cooperation (CAREC) Programme. At the same time, Pakistan advanced a Comprehensive Economic Partnership Agreement with the UAE to double trade from USD 8–10bn to USD 16–20bn, attracting investments in infrastructure, ports, IT, and renewable energy, while engaging Turkiye to modernize agriculture and livestock using advanced Turkish technologies. Collectively, these developments signal a strategic, multi-country drive to integrate Pakistan more deeply into regional value chains, promote investment flows, and leverage technology for sustainable economic growth.

Other News

Settlements: Capital market shifts to T+1 cycle: Pakistan's capital market has officially transitioned to a T+1 settlement cycle, marking a major structural reform aimed at improving market efficiency, reducing risk, and aligning the country's financial system with international best practices. Effective February 9, all eligible trades executed at the PSX are now settled on a Trade plus one (T+1) basis, replacing the earlier T+2 settlement cycle.

Global oil demand to rise more slowly: IEA: World oil demand will rise more slowly than expected this year, the International Energy Agency said on Thursday, while warning the global market still faces a sizeable surplus despite outages that cut supply in January. In its monthly oil report, the agency projected that global supply would exceed demand by 3.73 million barrels per day in 2026, broadly unchanged from last month. A surplus of that scale would equal almost 4% of world demand and is larger than other forecasts.

SBP chief expects broader recovery than IMF forecast: Central bank chief expects the economy to grow as much as 4.75 percent this fiscal year, pushing back against a recent downgrade by the International Monetary Fund. Governor Jameel Ahmad, in written responses to Reuters, argued the recovery is broader and more durable than headline export data suggest. SBP raised its FY26 growth forecast to 3.75–4.75 percent at its January meeting, 0.5 percentage point higher than its previous range, despite a contraction in exports in the first half of the year and a widening trade deficit.

Pakistan receives \$3.5bn in remittances in January 2026: The inflow of overseas workers' remittances into Pakistan stood at \$3.46 billion in January 2026, SBP data showed. Remittances increased by nearly 15.4% year-on-year (YoY), compared to \$3.0 billion recorded in the same month last year. Monthly remittances were down 4% from \$3.59 billion in December. During the first seven months of the fiscal year (7MFY26), remittance inflows stood at \$23.2 billion, up from \$20.9 billion in 7MFY25, a jump of 11.3%.

E-rickshaws & bikes under PAVE scheme: Govt fast-tracks subsidy disbursement: The government, under the Pakistan Accelerated Vehicle Electrification (PAVE) scheme, has fast-tracked the process of transferring Rs80,000 in subsidies for electric rickshaws and Rs40,000 for electric bikes. This was stated by CEO of the Engineering Development Board (EDB), while reviewing the progress on the Prime Minister's PAVE scheme. The process of providing electric bikes, rickshaws, and loaders on easy installments, along with subsidy payments, has commenced.

Pakistan, Cambodia boost industrial, textile ties: Pakistan and Cambodia have agreed to deepen collaboration in the industrial sector, with a special focus on the textile industry, aiming to create mutual economic benefits. During the discussions, both sides explored avenues to strengthen economic and industrial partnerships, enhance bilateral relations, and promote investment opportunities, as reported by APP.

Other News

Pakistan car sales jump 43% YoY in first seven months of FY26: Car sales in Pakistan increased by 43% year-on-year (YoY) to 111,377 units in the first seven months of the fiscal year 2025-26 (FY26), showed Pakistan Automotive Manufacturers Association (PAMA). Car sales (including LCVs, Vans, and Jeeps) stood at 77,686 units in 7MFY25. In January 2026, car sales in Pakistan clocked in at 23,055 units, marking a 43-month high, reflecting a 36% YoY and 74% MoM increase. “There are two reasons for the increase in sales of all vehicles; a decrease in interest rate set by the SBP and light-and-small industry improved performance following a boost in auto sales.

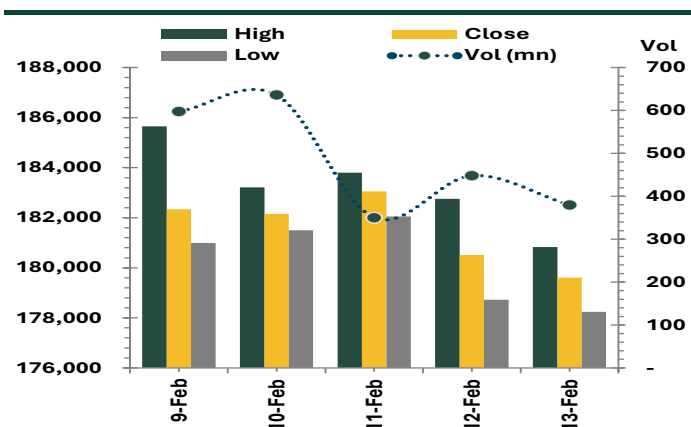
Meezan Bank posts Rs92bn profit, dividend strong: Meezan Bank Limited (PSX: MEBL) posted a profit after tax of Rs92.18 billion for the year ended December 31, 2025, showing an 11.13% decline YoY from Rs103.72bn in CY24. EPS stood at Rs50.47, down from Rs57.28 last year. Total other income rose 19.9% YoY to Rs38.19bn, driven by higher foreign exchange gains of Rs5.48bn, compared to Rs0.83bn last year.

Equity Market Review

Summary

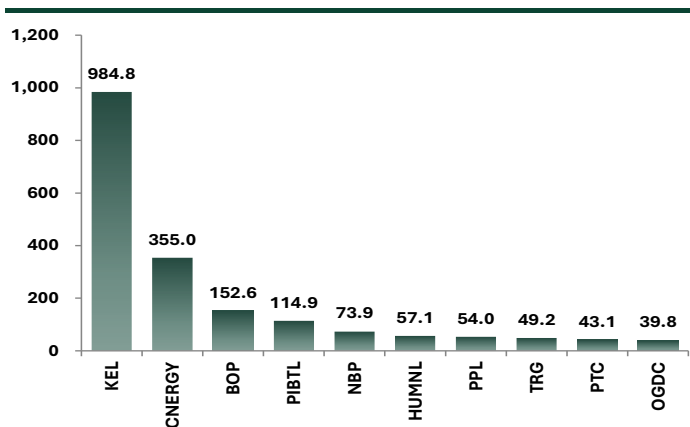
The week started under pressure as investor caution took hold following Moody's revision of the banking sector outlook from positive to stable, triggering sharp profit-taking across key sectors including E&P and banks. However, sentiment improved mid-week as the SBP governor's optimistic growth projections (3.75–4.75% for FY26) and robust remittance inflows (+11% Y/Y to USD 23.2bn in 7MFY26) restored some confidence. However, the recovery proved short-lived as profit-taking resurfaced towards the end of the week, amid rising inflation projections for Q4 (estimated at 8%) and heightened geopolitical uncertainties. The benchmark ultimately closed the week at the 179,603.73 level, down 4,525.85 points w/w or 2.46%. Trading activity remained robust throughout the week, with average daily volumes of ~482.38mn shares on the KSE-100 and ~858.32mn shares across the broader market.

Daily Market Performance



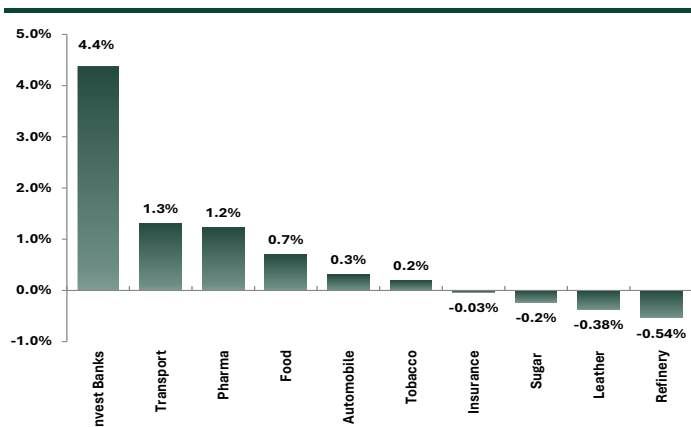
Source: PSX & HMFS Research

Top 10 Volume leaders (volumes in mn)



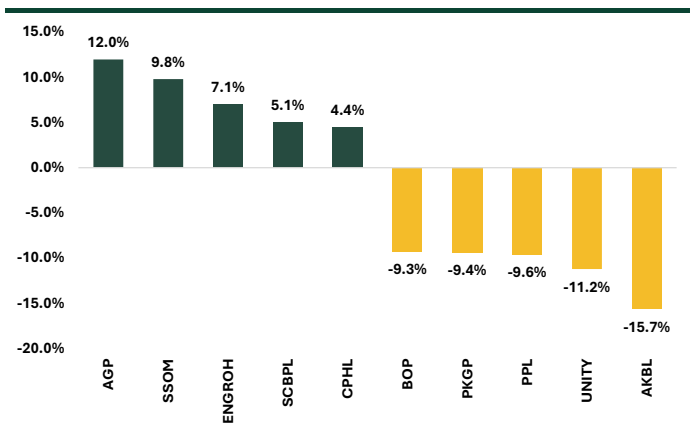
Source: PSX & HMFS Research

Sector Performance



Source: PSX & HMFS Research

Gainers & Losers (KSE-100 Index)



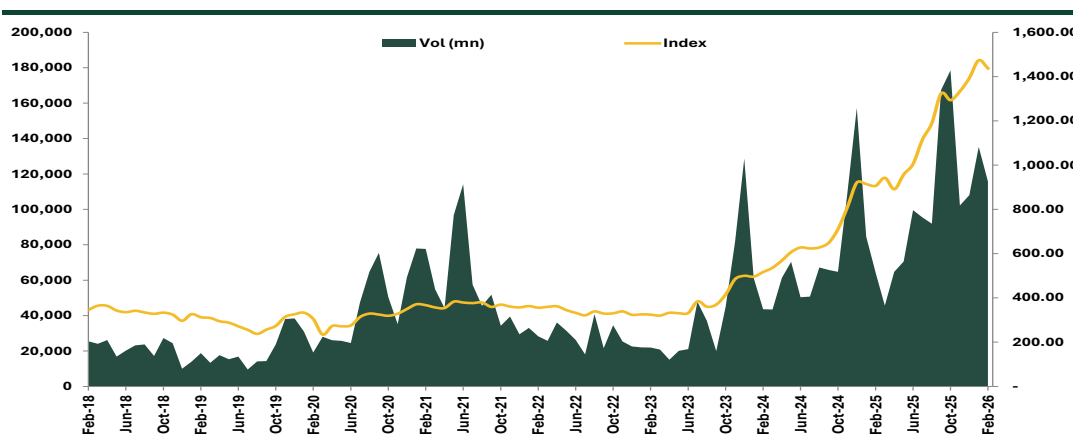
Source: PSX & HMFS Research

Equity Market Review

Outlook

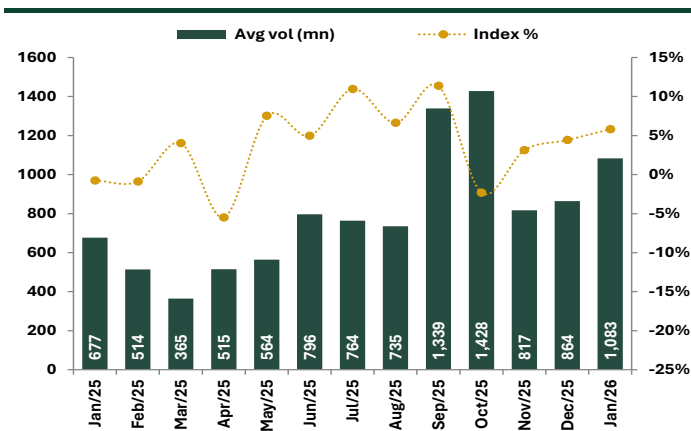
The market completed a landmark transition to T+1 settlement on February 9, reducing counterparty risk and aligning Pakistan with leading global markets. This reform, combined with record investor participation (23,500 new accounts in January), strengthens the structural foundation for future growth. However, elevated inflation expectations and the upcoming IMF review in late February remain near-term headwinds. The ongoing earnings season offers selective opportunities in dividend-yielding stocks and fundamentally strong blue-chips. Investors should adopt a stock-specific approach, capitalizing on improved market infrastructure while remaining cautious of geopolitical and domestic political volatility.

Index Performance



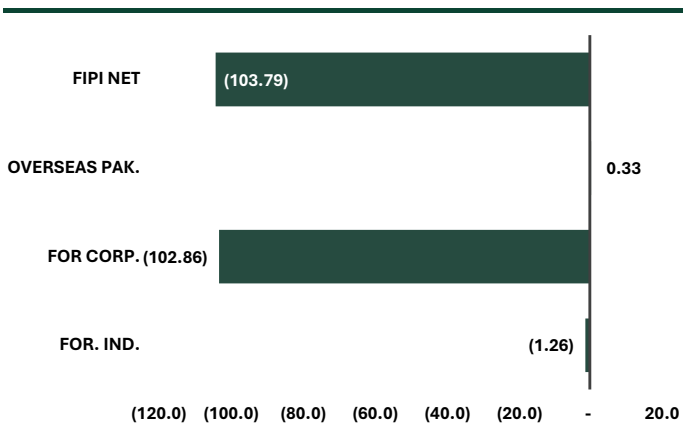
Source: PSX & HMFS Research

MoM Index gain vs Average Volume



Source: PSX & HMFS Research

FIPI (CYTD in USD mn)



Source: NCCPL & HMFS Research

Money Market Review

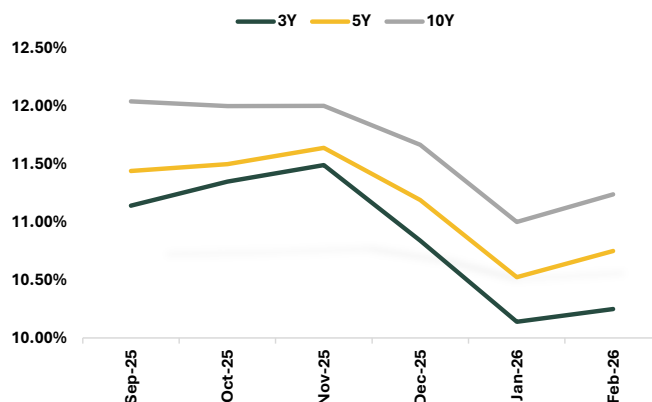
Summary

During the week ended February 13, 2026, no Market Treasury Bills (MTBs) or Pakistan Investment Bonds (PIBs) auctions were conducted by the State Bank of Pakistan. The central bank continued to manage liquidity through Open Market Operations (OMOs), conducting a reverse repo transaction on Friday and injecting PKR 12tn to ensure adequate liquidity in the financial system. Secondary market activity remained subdued as market participants awaited upcoming auctions and developments on the monetary policy front.

Outlook

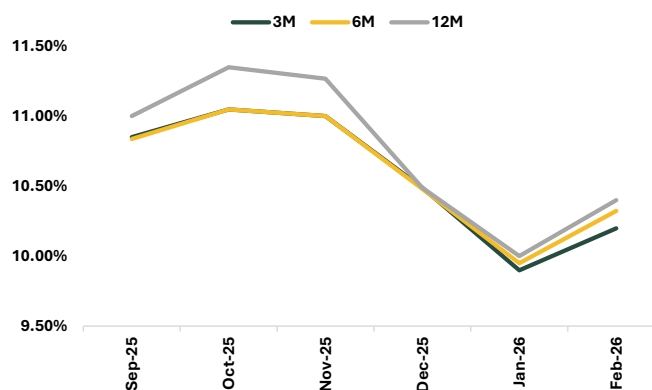
The absence of primary auctions this week kept secondary market yields range-bound, with minimal trading activity as investors positioned ahead of next week's scheduled auctions. Market sentiment remains cautious given the upcoming IMF review mission expected in late February, which could influence near-term rate expectations depending on the outcome of fiscal discussions. While the SBP has maintained its 10.5% policy rate, market participants are increasingly focused on FBR revenue performance and whether fiscal slippages could delay any eventual easing cycle. The next MTB and PIB auctions are scheduled for February 18, and, March 11, 2026, respectively.

PIB Yields



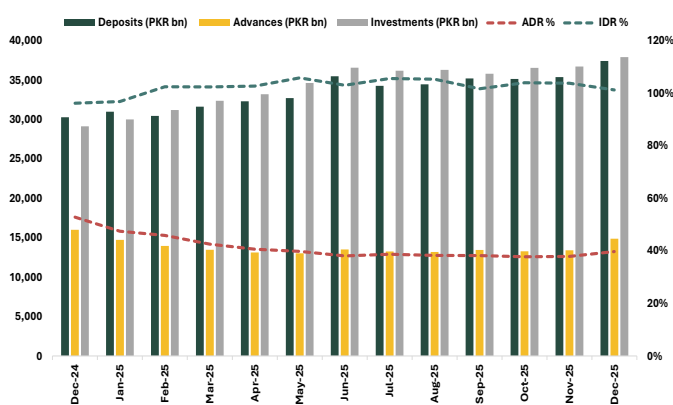
Source: SBP & HMFS Research

T-Bill Yields



Source: SBP & HMFS Research

Bank's ADR & IDR



Source: SBP & HMFS Research

Forex Market Review

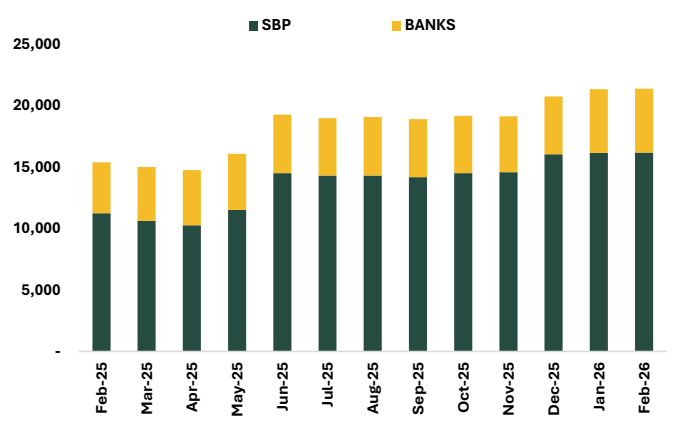
Summary

During the week ended February 6, 2026, SBP-held foreign exchange reserves increased modestly by USD 21mn w/w to USD 16.178bn. Net foreign reserves of commercial banks stood at USD 5.197bn, rising by USD 5mn w/w, taking total country reserves to USD 21.375bn, up USD 36mn w/w. Meanwhile, the PKR experienced marginal appreciation against the USD, closing the week at PKR 279.62, (up by PKR 0.09 w/w).

Outlook

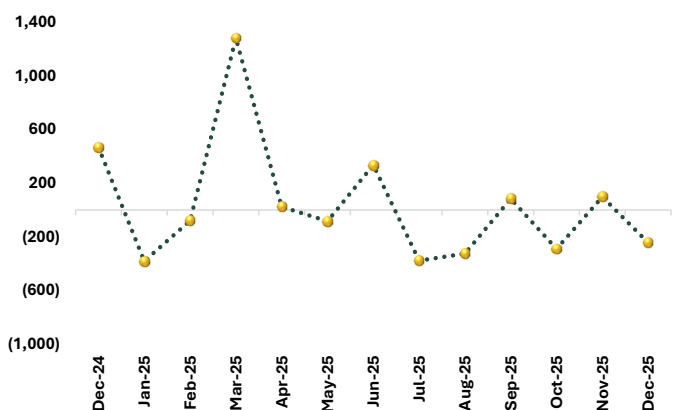
Pakistan's external position faces near-term uncertainty as the UAE has extended its USD 2bn deposit rollover for an additional two months until April 17, 2026, at a 6.5% interest rate. While an improvement from the previous one-month extension, this falls short of Pakistan's request for a two-year rollover at around 3%. The repeated short-term extensions underscore continuing uncertainty around bilateral support, despite commitments made under the IMF's EFF. The IMF review mission is expected to arrive in the last week of February for third review talks, which will determine the release of the USD 1bn fourth tranche. Pakistan has met three out of five major fiscal conditions, though challenges remain around tax base broadening and FBR revenue targets.

Foreign Exchange Reserves (USD bn)



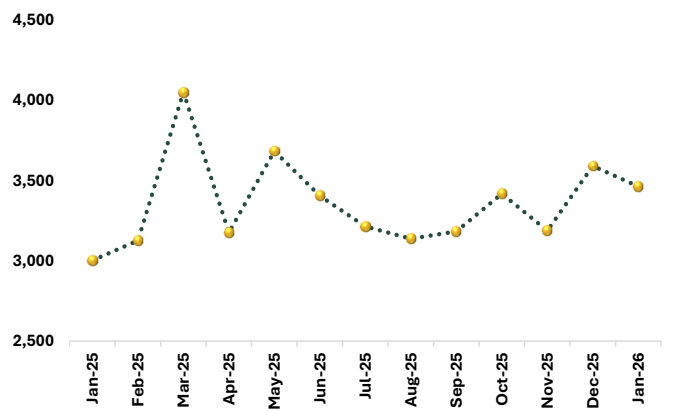
Source: SBP & HMFS Research

Current Account Balance (USD mn)



Source: SBP & HMFS Research

Remittances (USD mn)



Source: SBP & HMFS Research

Key Economic Indicators

Item	Units	Jan-26	Dec-25	Nov-25	Oct-25	Sep-25	Aug-25	%M/M	CY24	CY23	%Y/Y
Banking Indicators											
Return on Outstanding Loans	%	-	10.91%	11.15%	11.25%	11.24%	11.33%	-0.24%	17.07%	17.48%	-0.41%
Return on Deposits	%	-	5.35%	5.23%	5.23%	5.20%	5.31%	0.12%	10.74%	10.30%	0.44%
Interest rate Spread	%	-	5.56%	5.92%	6.02%	6.04%	6.02%	-0.36%	6.33%	7.18%	-0.85%
Deposits	(PKR bn)	-	37,431	35,380	35,149	35,211	34,463	5.80%	30,283	27,841	8.77%
Advances	(PKR bn)	-	14,880	13,421	13,279	13,456	13,193	10.87%	16,009	12,352	29.61%
Investments	(PKR bn)	-	37,910	36,732	36,547	35,816	36,303	3.21%	29,129	25,280	15.23%
ADR	%	-	39.75%	37.93%	37.78%	38.22%	38.28%	1.82%	52.87%	44.37%	8.50%
IDR	%	-	101.28%	103.82%	103.98%	101.72%	105.34%	-2.54%	96.19%	90.80%	5.39%

Kibor (Ask Side)											
3-Month	%	10.39%	10.85%	11.16%	11.16%	11.05%	11.05%	-0.46%	18.81%	21.48%	-2.67%
6-Month	%	10.39%	10.89%	11.19%	11.18%	11.05%	11.05%	-0.50%	18.58%	21.58%	-3.00%
9-Month	%	10.62%	11.15%	11.44%	11.39%	11.27%	11.25%	-0.53%	18.50%	21.84%	-3.34%
1-Year	%	10.61%	11.16%	11.47%	11.40%	11.28%	11.26%	-0.55%	18.21%	21.86%	-3.65%

Avg. Exchange Rates											
USD		279.95	280.29	280.71	281.11	281.53	282.19	-0.12%	278.53	280.44	-0.68%
Euro		328.56	328.43	324.52	327.24	330.31	328.15	0.04%	301.36	303.36	-0.66%
JPY		1.79	1.80	1.81	1.86	1.90	1.91	-0.70%	1.8410	1.9983	-7.87%
GBP		378.54	375.40	368.67	375.43	380.11	379.09	0.84%	355.94	348.95	2.00%
CNY		40.17	39.81	39.49	39.48	39.51	39.33	0.91%	38.70	39.59	-2.25%

Item	Units	Jan-26	Dec-25	Nov-25	Oct-25	Sep-25	Aug-25	%M/M	FY25	FY24	%Y/Y
Inflation											
Avg. CPI	%	5.24%	5.10%	5.01%	4.73%	4.22%	3.53%	0.14%	4.49%	23.41%	-18.92%
Avg. NFNE	%	7.20%	6.90%	6.60%	7.50%	7.00%	6.90%	0.30%	6.90%	12.20%	-5.30%

Commodities											
Arab Light (Avg.)	USD/bbl	62.88	62.82	65.62	66.82	71.31	71.59	0.09%	74.89	86.22	-13.14%

External Sector (FY USD mn)											
Total Imports	(USD Mn)	5,786	6,081	5,306	6,087	5,848	5,288	-4.85%	58,387	54,937	6.28%
Total Exports	(USD Mn)	3,061	2,268	2,420	2,848	2,499	2,416	34.96%	32,039	30,684	4.42%
Trade Balance	(USD Mn)	(2,725)	(3,813)	(2,886)	(3,239)	(3,349)	(2,872)	28.53%	(26,348)	(24,253)	-8.64%
Current Account Balance	(USD Mn)	-	(244)	98	(291)	83	(325)	-348.98%	328	(313)	204.79%
Remittances	(USD Mn)	3,465	3,592	3,188	3,420	3,184	3,138	-3.56%	38,300	30,251	26.61%
Oil Import Bill	(USD Mn)	-	1,183.09	1,007.78	1,293.23	1,092.95	1,238.98	17.40%	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	2024 A	2025 E	2026 F	2024 A	2025 E	2026 F	2025 E	2026 F	2025 E	2026 F	2025 E	2026 F	2025 E	2026 F	CY-26/ FY-26
							Trn	PKR	PKR	PKR	PKR	PKR	PKR	%	%	x	x	x	x	%	%	%
1	FFC	Dec	BUY	579.6	657.0	13%	834.0	45.5	57.5	60.5	36.5	39.5	43.5	7%	8%	10.1	9.6	5.2	4.5	52%	47%	21%
2	EFERT	Dec	BUY	217.3	255.0	17%	290.1	21.2	24.7	28.5	21.5	22.0	26.7	10%	12%	8.8	7.6	5.7	5.4	60%	65%	30%
3	INDU*	Jun	BUY	2192.2	2321.0	6%	172.3	191.8	292.7	347.0	114.7	176.0	208.0	8%	9%	7.5	6.3	2.6	2.2	14%	27%	15%
4	HCAR	Mar	BUY	233.0	298.0	28%	33.3	16.3	19.0	27.3	6.5	8.0	11.5	3%	5%	12.3	8.5	1.4	1.3	8%	6%	33%
5	HBL	Dec	BUY	323.2	372.0	15%	474.1	39.9	44.6	43.2	16.3	17.0	18.0	5%	6%	7.2	7.5	1.0	0.9	16%	13%	21%
6	MCB	Dec	BUY	412.8	476.0	15%	489.2	48.6	45.5	44.5	36.0	36.0	36.0	9%	9%	9.1	9.3	2.0	1.9	37%	22%	24%
7	UBL	Dec	BUY	480.0	514.0	7%	1,202.0	61.1	64.0	60.5	44.0	45.0	44.0	9%	9%	7.5	7.9	1.6	1.5	29%	21%	16%
8	BAHL	Dec	BUY	181.7	228.0	26%	201.9	37.7	34.9	35.5	17.0	16.0	15.0	9%	8%	5.2	5.1	1.2	1.1	35%	23%	34%
9	ABL	Dec	BUY	193.6	254.0	31%	221.7	38.8	47.5	45.4	16.0	14.0	17.5	7%	9%	4.1	4.3	1.0	0.9	30%	24%	40%
10	MEBL	Dec	BUY	487.5	565.0	16%	877.7	57.3	45.7	45.2	28.0	28.0	27.0	6%	6%	10.7	10.8	3.1	2.8	41%	29%	21%
11	MUGHAL	Jun	BUY	88.4	106.0	20%	29.7	6.0	2.8	2.8	0.0	0.0	0.0	0%	0%	31.2	31.6	1.1	1.1	15%	4%	20%
12	ISL	Jun	BUY	98.6	131.0	33%	42.9	8.4	3.6	6.0	5.5	2.5	4.0	3%	4%	27.5	16.5	2.1	2.0	6%	8%	37%
13	OGDC	Jun	BUY	294.7	427.0	45%	1,267.7	48.6	39.5	48.0	10.1	15.1	18.0	5%	6%	7.5	6.1	0.9	0.8	18%	15%	51%
14	PPL	Jun	BUY	236.3	350.0	48%	642.9	42.0	33.8	43.5	6.0	7.5	8.0	3%	3%	7.0	5.4	0.9	0.8	20%	13%	52%
15	POL	Jun	BUY	638.9	897.0	40%	181.4	137.9	85.2	105.0	95.0	75.0	90.0	12%	14%	7.5	6.1	2.1	2.0	47%	28%	54%
16	LUCK	Jun	BUY	460.9	568.0	23%	675.2	44.1	52.5	62.8	3.0	4.0	6.5	1%	1%	8.8	7.3	0.8	0.8	19%	10%	25%
17	FCCL	Jun	BUY	54.7	72.0	32%	134.2	3.4	5.4	6.5	1.0	1.3	1.5	2%	3%	10.1	8.4	1.7	1.5	12%	17%	34%
18	MLCF	Jun	BUY	112.9	147.0	30%	118.2	5.0	16.3	13.0	0.0	0.0	0.0	0%	0%	6.9	8.7	2.2	1.8	11%	12%	30%
19	NML	Jun	HOLD	179.7	175.0	-3%	63.2	18.1	17.1	35.0	3.0	2.0	4.5	1%	3%	10.5	5.1	0.5	0.4	6%	6%	0%
20	ILP	Jun	BUY	90.2	109.0	21%	126.4	11.3	3.8	8.6	5.5	1.0	4.0	1%	4%	23.5	10.5	1.6	1.5	40%	11%	25%
21	GATM	Jun	BUY	28.9	49.0	69%	21.4	6.4	5.4	7.0	0.0	0.0	0.0	0%	0%	5.4	4.1	0.4	0.4	11%	8%	69%
HMFS Universe							25%	8,099.3						5%	6%	10.9	8.9	1.7	1.6	25%	19%	30%

(*) 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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To arrive at our fair value estimates, HMFS uses different valuation methodologies including but not limited to:

- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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

Upside/Downside represents the difference between the stated "Fair Value" & the prevailing "Market Price"

Total Return is based on both the Capital Gains return & the Dividend Yield & is exclusive of all applicable taxes