REP-110

HABIBMETRO
Financial Services

WEEKLY REPORT

RALLIES MEET RETREAT

DATE:

Friday, February 20, 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 Economy at a Critical Juncture Ahead of the IMF Review

Pakistan's macro narrative is entering a decisive phase as policy credibility, external buffers, and reform execution converge ahead of the upcoming review under the USD 7bn Extended Fund Facility (EFF) and the USD 1.1bn Resilience and Sustainability Facility (RSF) with the International Monetary Fund, as they are set to arrive on February 26th. The February mission will not merely assess compliance — it will test whether the recent stabilization gains are structurally durable or tactically driven. January 2026 offered encouraging signals. Roshan Digital Account inflows reached USD 216mn in January, taking cumulative receipts to USD 11.9bn, with net inflows at USD 145mn. However, structural gaps persist. The current account still shows a USD 1.07bn deficit in 7MFY26, and FDI declined 41% y/y to USD 981mn, underscoring weak long-term capital commitment, while sovereign bond markets attracted USD 176mn in net inflows, the strongest monthly intake since mid-2024. The rupee's continued appreciation trend reflects improved confidence in external liquidity management. However, underlying fragilities remain visible. Fiscal consolidation pressures also intensify amid fresh fuel price adjustments, which may complicate inflation dynamics. Trade deficit with the Middle East narrowed 3.92% in 1HFY26, indicating partial external adjustment but not a decisive shift. Meanwhile, petrol and diesel prices were raised by PKR 5 (+~2%) and PKR 7.32 (+~2.7%), respectively, adding inflationary undertones. On the real side, recovery remains selective yet notable. Large-scale manufacturing expanded to 4.82% in 1HFY26, automobile financing surged 35.76% y/y to PKR 328bn, and IT exports grew 19% y/y in January, taking 7MFY26 growth to 20%. Textile exports recorded a modest 1.25% y/y increase to USD 10.9bn in 7MFY26, indicating gradual traction in external demand. The core debate with the IMF will likely extend beyond quantitative targets toward institutional reform depth — particularly revenue mobilization, provincial fiscal alignment, and governance transparency under the newly prepared 15-point action framework. Remittances and currency stability provide breathing space yet shrinking FDI and fiscal rigidities expose structural vulnerabilities. The forthcoming review will therefore determine whether Pakistan's economic rebound is statistically encouraging — or fundamentally sustainable.

Gas Levies Under Review as Industrial Relief Meets Fiscal Constraints

Energy pricing reforms have re-entered negotiations as the International Monetary Fund begins discussions with Pakistani authorities over proposed tariff revisions, stressing that any restructuring must avoid burdening lower- and middle-income households while preserving macroeconomic stability. In a parallel move, the government notified an average PKR 4.04 per unit reduction in electricity tariffs for industrial consumers, effective February 11, 2026, offering partial

Major Events

cost relief to manufacturers amid subdued export competitiveness. However, a PKR 1,000 per month fixed charge on smaller industrial units tempers the net benefit, reflecting fiscal balancing efforts. More critically, Islamabad is set to raise concerns with the IMF over the controversial off-grid levy on captive power plants (CPPs)—introduced to push exporters toward grid electricity. The levy, which began at 5% in early 2025 and has since doubled, now stands at PKR 1,243 per mmbtu, with a fiscal target of PKR 105 bn for FY26. While designed to contain circular debt and lower system-wide tariffs, the measure has reportedly strained gas-intensive and export-oriented industries. Compounding uncertainty, power producers have sought an additional PKR 1.78 per unit fuel adjustment for March bills despite higher reliance on domestic generation, as demand rose nearly 12% YoY in January. On the regulatory front, net-metering applications submitted before February 8 will be processed under previous rules, providing short-term clarity for 5,165 applicants and limiting abrupt policy disruptions. Overall, while industrial tariff reductions signal policy responsiveness, the sustainability of gas levies and fuel adjustments will shape Pakistan's manufacturing cost trajectory and export competitiveness in the coming quarters.

Infrastructure Deepening and Strategic Industrialisation Shape Investment Revival

Pakistan's economic outlook is increasingly being anchored in large-scale infrastructure, industrial integration, and privatisation-led reforms. A significant development emerged as China's Shandong Xinxu Group signalled its intent to submit an unsolicited feasibility study for an Integrated Maritime Industrial Complex (IMIC) at Port Qasim under the Sea-to-Steel Initiative. The proposed complex envisions revival of the Iron Ore and Coal Berth (IOCB), ship recycling and repair operations, and an integrated steel mill—potentially reducing steel import dependence while enhancing value addition at the country's second-largest port. Parallelly, the Asian Development Bank is in advanced discussions to finance the Karachi–Rohri section of ML-1 with a USD 1.2Bn commitment, within an estimated USD 2bn project envelope. On the technology front, Apple Inc. is poised to begin iPhone manufacturing and refurbishment in Pakistan under a new policy framework, with projected first-year re-export proceeds of USD 100mn—signalling gradual integration into global electronics value chains. Meanwhile, the upcoming telecom spectrum auction led by Pakistan Telecommunication Authority is expected to mobilise USD 300–700mn, strengthening fiscal buffers and digital infrastructure. Privatisation momentum also gained traction as the Arif Habib Group consortium moves toward full ownership of Pakistan International Airlines, marking a decisive shift toward private-sector-led restructuring. Collectively, these developments signal a transition toward infrastructure-backed industrialisation, diversified financing channels, technology localisation, and asset monetisation—factors likely to improve Pakistan's medium-term investment narrative.

Other News

Incremental consumption package: Industry, PD lock horns over financial impact: The country's industry and the Power Division have locked horns over the financial impact of the incremental consumption package on the overall electricity tariff, with both sides presenting conflicting claims about whether the relief measure led to new demand or merely shifted industrial load from captive generation to the national grid. The proposed adjustment carries an impact of 43 paisa per unit (Rs 10.762 billion), replacing the 33 paisa per unit adjustment of the first quarter of the current fiscal year.

Govt reassures investors as Barrick reviews Reko Diq: The government has reassured investors about the progress of the Reko Diq mining project as Barrick Gold continues its review of the project's technical and financial feasibility. Officials said the project remains a priority for attracting foreign investment and boosting mineral sector development.

Discos seek Rs10.75bn in quarterly tariff hike: Power distribution companies (Discos) have sought a quarterly tariff adjustment amounting to Rs10.75 billion to recover higher operational costs and capacity payments. The request has been submitted to the National Electric Power Regulatory Authority (Nepra) for approval.

PM to announce construction relief plan: He said the government was following an export-led policy and would soon announce relief measures for the construction sector. "The prime minister is expected to make a formal announcement." Federal Finance Minister Muhammad Aurangzeb has declared that after achieving economic stability, the next priority is industrialisation to ensure sustainable economic growth. The government is also reviewing support measures for the textile sector and is considering reducing tax rates for the property sector.

Pakistan, Austria pledge to bolster economic cooperation: Pakistan and Austria on Monday expressed commitment to work together more closely to further strengthen the bilateral relationship in diverse fields including economic cooperation, trade and investment, tourism, hospitality, education, IT, healthcare and human resource development and mobility. To this end, the both sides agreed to work for the early finalisation of MoUs under consideration related to these areas.

OGRA raises RLNG prices by up to 0.59%: Pakistan's oil and gas regulator has raised RLNG prices by up to 0.59% for February 2026, citing a marginal increase in terminal charges. The OGRA announced its decision on Friday, increasing RLNG rates for both SNGPL and SSGCL.

Investment stuck at 13.8% of GDP: Bangladesh had a turbulent 2025, yet its investment-to-GDP ratio stood at 22.4% — still far above Pakistan's 13.8%, which has failed to regain even its FY2022 peak of 15.6%. Regional peers such as India and Vietnam continue to sustain investment levels above 30%, underscoring Pakistan's persistent position as the lowest-investing major economy in Asia. Although the current hybrid and multiparty setup has achieved macroeconomic stability, it has clearly failed to improve investor sentiment and investment outcomes.

Other News

Fauji Cement, KAPCO move to take 92% stake in Attock Cement: FCCL and KAPCO have announced a public offer to acquire up to 10.95 million ordinary shares, representing approximately 7.97% stake, in Attock Cement Pakistan Limited. Under the arrangement, Fauji Cement will acquire 57.76 million ordinary shares, equivalent to 42.03% of ACPL's paid-up share capital, while KAPCO will purchase an equal number of shares, representing another 42.03% at an adjusted price of Rs330.41 per share. In addition, through the public offer, each company intends to acquire a further 3.98% stake at Rs330.41 per share, taking the total potential acquisition to nearly 92% if fully subscribed. The total estimated payout under the public offer, assuming full acceptance, is approximately Rs3.62 billion.

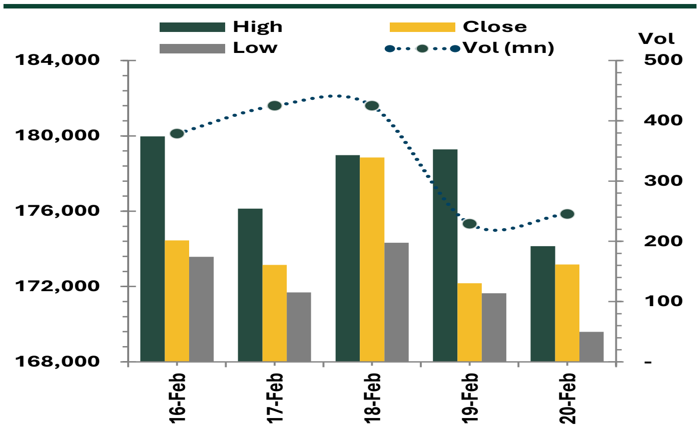
OGDC enhances oil production at Kal-03 well by massive 1,400%: OGDC, Pakistan's largest E&P company, has enhanced oil production from its Kal-03 well by 1,400%. The well is located in Chakwal district, Punjab. OGDC said that the enhancement was achieved by successfully carrying out a workover. "Prior to the intervention, the well was producing approximately 50 barrels of oil per day (bpd) under natural flow. Following a planned workover that included Multistage Physico-Chemical (MPC) treatment and ESP installation, the production has increased to 750 bpd," it said, registering an increase of 1,400%.

Equity Market Review

Summary

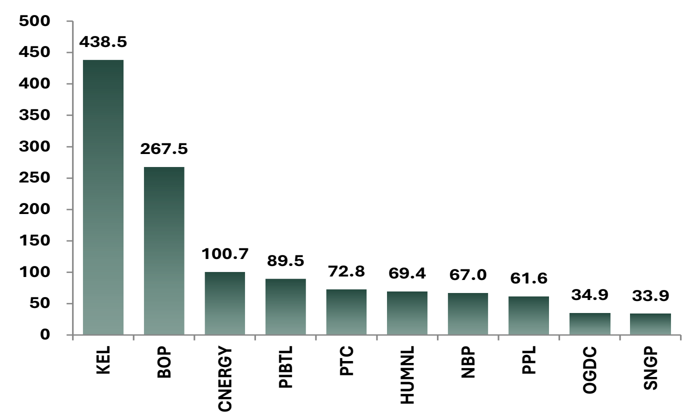
The week at the Pakistan Stock Exchange remained marked by pronounced volatility, as aggressive profit-taking and valuation adjustments drove broad-based weakness across banks, fertilizers, and E&P, exerting sustained pressure on the benchmark KSE-100 Index. Elevated price levels following the recent rally prompted institutional investors to lock in gains, resulting in sharp intraday drawdowns and heightened volatility. Sentiment briefly turned constructive mid-week, supported by robust remittance inflows and a positive IMF program outlook, triggering a swift rebound. However, the recovery proved unsustainable as escalating geopolitical tensions between the US and Iran reignited risk aversion, leading to renewed institutional selling and erasing much of the earlier gains. That said, the market staged a modest recovery in the final session of the week, as improved valuations attracted selective buying interest. Consequently, the index closed the week at 173,169.71 level, down 6,434.02 points w/w (-3.58%), with average daily volumes remaining relatively firm at ~340.63mn shares on the KSE-100 and ~648.76mn shares in the broader market, reflecting tactical positioning amid elevated uncertainty.

Daily Market Performance



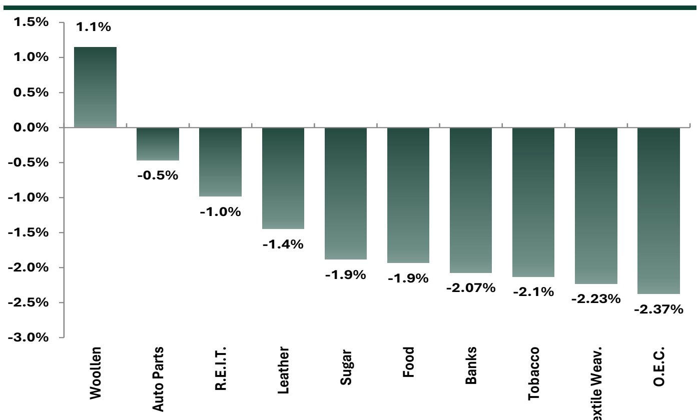
Source: PSX & HMFS Research

Top 10 Volume leaders (volumes in mn)



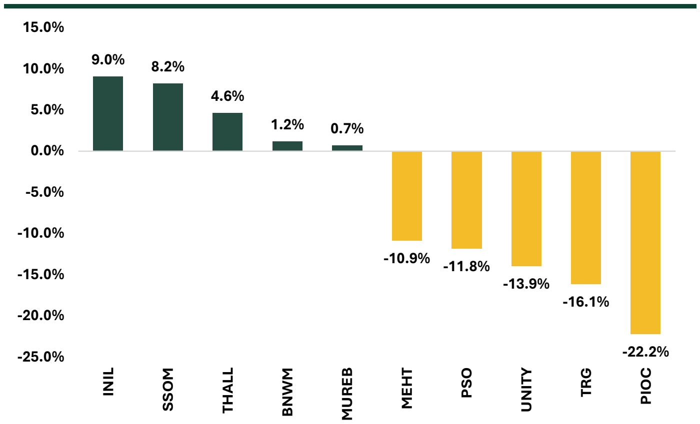
Source: PSX & HMFS Research

Sector Performance



Source: PSX & HMFS Research

Gainers & Losers (KSE-100 Index)



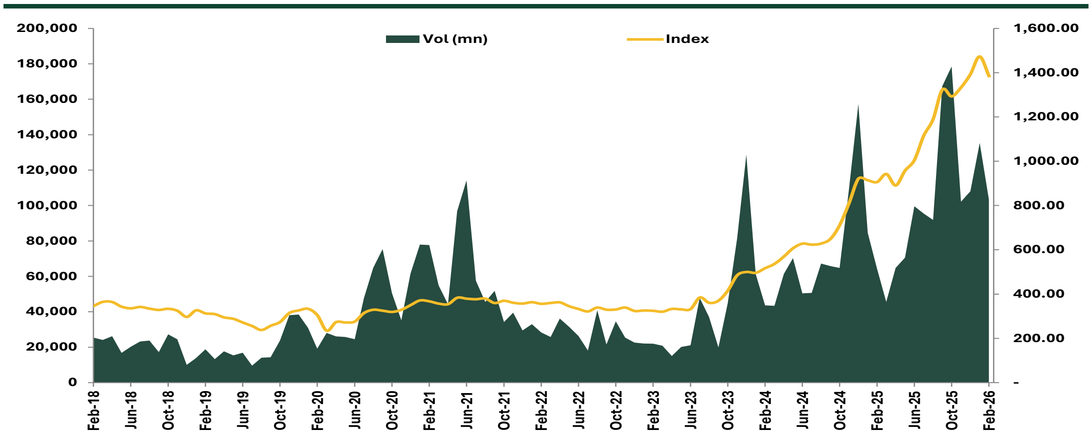
Source: PSX & HMFS Research

Equity Market Review

Outlook

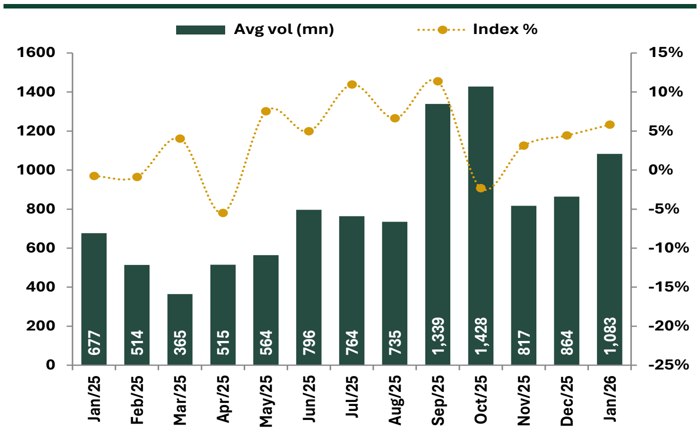
Market direction in the near term is expected to remain largely contingent on external geopolitical developments, particularly evolving dynamics between the US and Iran. Any meaningful de-escalation could restore investor confidence and improve risk appetite. On the domestic front, attention is likely to shift toward forthcoming result announcements from key blue-chip companies, which could provide selective support and drive stock-specific activity. Strong earnings releases, particularly from heavyweight sectors, may help stabilize sentiment and encourage institutional participation despite broader uncertainties. Overall, in the absence of major policy triggers, market momentum is expected to remain selective and event-driven, with external developments and corporate earnings acting as the primary catalysts in the short term.

Index Performance



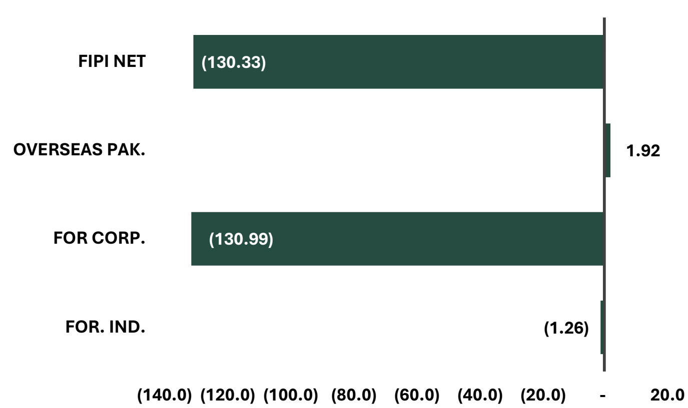
Source: PSX & HMFS Research

MoM Index gain vs Average Volume



Source: PSX & HMFS Research

FIPI (CYTD in USD mn)



Source: NCCPL & HMFS Research

Money Market Review

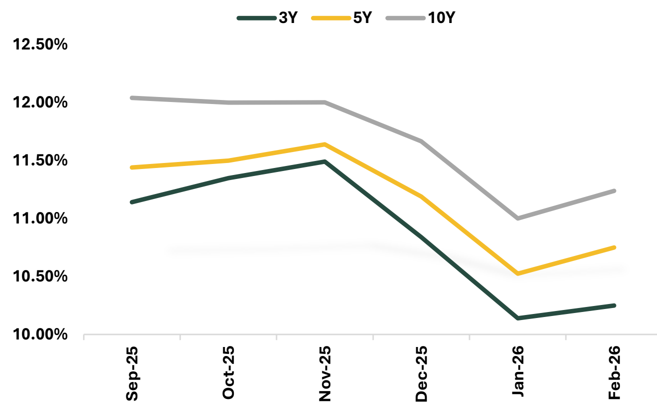
Summary

During the week ended February 20, 2026, the State Bank of Pakistan (SBP) conducted one Market Treasury Bill (MTB) auction. In the MTB auction, the government accepted PKR 1.21tn against bids exceeding PKR 1.26tn, with settlement on February 19. The largest acceptance came in the 12-month tenor at PKR 367.6bn (realised), followed by the 1-month tenor at PKR 501bn. Cut-off yields showed a marginally upward slope (upto 10.5bps), with 12-month MTBs clearing at 10.599%, the 6-month at 10.443%, the 3-month at 10.285%, and the 1-month at 10.148%. The SBP continued to manage system liquidity through Open Market Operations (OMOs); in the most recent OMO, the central bank injected a cumulative PKR 12.08tn through a reverse repo purchase, with the bulk accepted at 10.51%.

Outlook

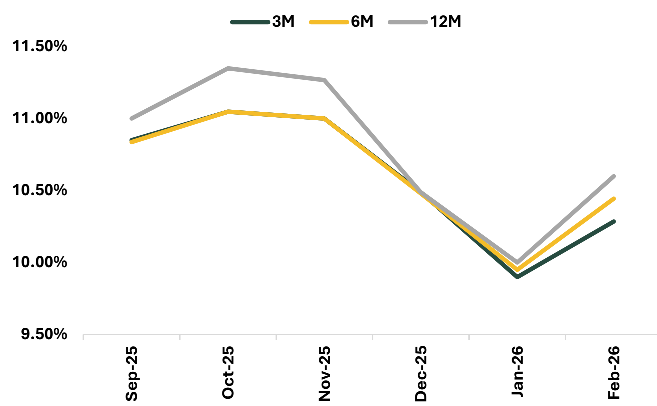
With the MTB auction now complete, secondary market activity is expected to remain measured in the near term, with cut-off yields across all tenors holding close to the policy rate — reaffirming market expectations that the SBP's 10.5% benchmark rate is unlikely to shift in the short run. Market attention now turns to the IMF mission, due to arrive on February 25 for the third review under the USD 7bn Extended Fund Facility (EFF). The 15-day visit will assess Pakistan's economic performance over July–December 2025 and evaluate progress on agreed reform targets, with a successful conclusion expected to serve as a positive catalyst for fixed income sentiment. The next MTB and PIB auctions are scheduled for March 04 and March 11, 2026, respectively.

PIB Yields



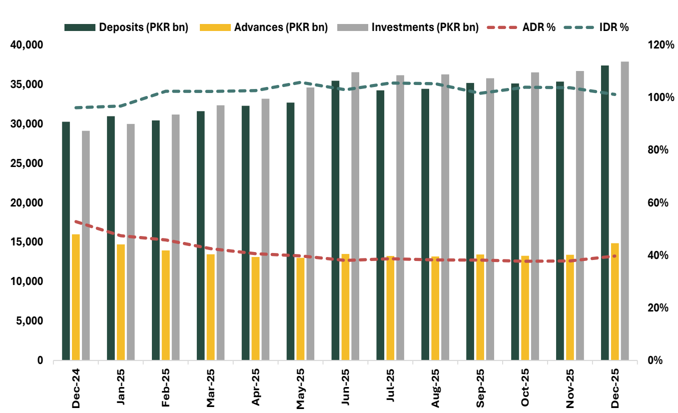
Source: SBP & HMFS Research

T-Bill Yields



Source: SBP & HMFS Research

Bank's ADR & IDR



Source: SBP & HMFS Research

Forex Market Review

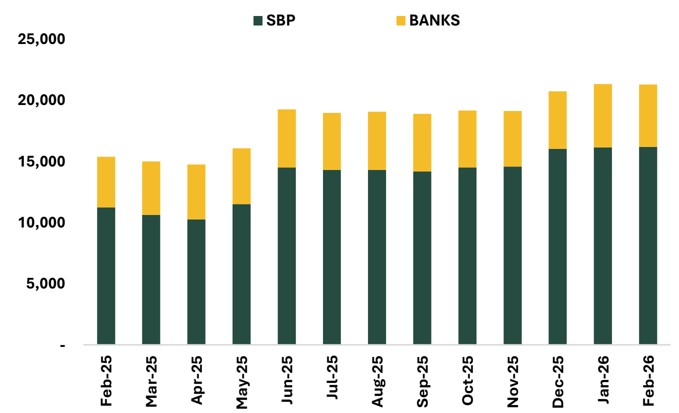
Summary

Foreign exchange reserves held by the SBP increased by USD 19.1mn during the week ended February 13, 2026, rising to USD 16.2bn. However, Pakistan's total liquid foreign exchange reserves declined by USD 73.2mn to USD 21.3bn, as net foreign reserves held by commercial banks fell by USD 92.3mn to USD 5.1bn. On the currency front, the PKR remained largely stable against the USD, inching up 0.02% in the interbank market to close at PKR 279.56 against the USD, strengthening by PKR 0.06 from the prior week's 279.62.

Outlook

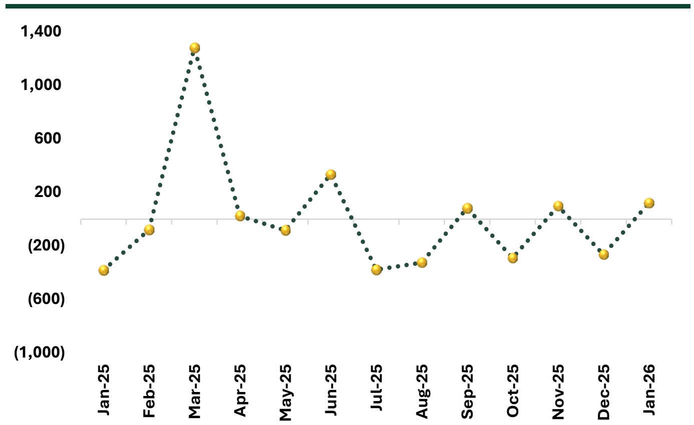
Pakistan's external position faces near-term pressure as the country repaid a USD 700mn Chinese commercial loan this week, temporarily pulling SBP-held reserves down to USD 15.5bn. Looking ahead, Pakistan faces repayment of approximately USD 1.3bn upon the maturity of a Eurobond in April 2026, adding to external financing concerns. The IMF review mission is expected to arrive on February 25 for third review talks, which will determine the release of the USD 1bn fourth tranche, along with over USD 200mn under the Resilience and Sustainability Facility (RSF). On the financing side, the Ministry of Finance plans to launch Panda bonds in the Chinese market to raise an initial tranche of USD 250mn, with strong investor interest reported. Sustained reserve accretion will remain contingent on timely multilateral disbursements, progress on the Panda bond issuance, and successful rollover of bilateral deposits from China, Saudi Arabia, and the UAE.

Foreign Exchange Reserves (USD bn)



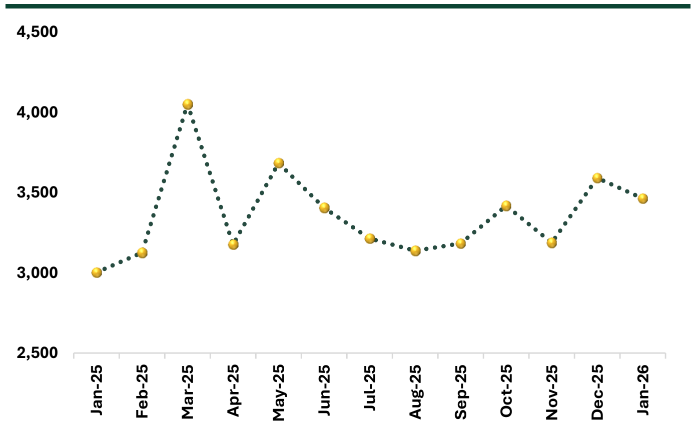
Source: SBP & HMFS Research

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	%	10.63%	10.91%	11.15%	11.25%	11.24%	11.33%	-0.28%	17.07%	17.48%	-0.41%
Return on Deposits	%	5.01%	5.35%	5.23%	5.23%	5.20%	5.31%	-0.34%	10.74%	10.30%	0.44%
Interest rate Spread	%	5.62%	5.56%	5.92%	6.02%	6.04%	6.02%	0.06%	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)	121	(265)	98	(291)	83	(325)	145.66%	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)	1,186.10	1,183.09	1,007.78	1,293.23	1,092.95	1,238.98	0.25%	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	555.7	657.0	18%	799.7	45.5	51.7	60.5	36.5	37.0	43.5	7%	8%	10.8	9.2	5.2	4.5	48%	49%	26%
2	EFERT	Dec	BUY	212.9	255.0	20%	284.3	21.2	17.0	28.5	21.5	15.0	26.7	7%	13%	12.6	7.5	5.7	5.4	60%	45%	32%
3	INDU*	Jun	BUY	2097.0	2321.0	11%	164.8	191.8	292.7	347.0	114.7	176.0	208.0	8%	10%	7.2	6.0	2.5	2.1	14%	27%	21%
4	HCAR	Mar	BUY	211.6	298.0	41%	30.2	16.3	19.0	27.3	6.5	8.0	11.5	4%	5%	11.2	7.7	1.3	1.2	8%	6%	46%
5	HBL	Dec	BUY	322.1	372.0	15%	472.5	39.9	45.5	43.2	16.3	20.0	18.0	6%	6%	7.1	7.5	1.0	0.9	16%	14%	21%
6	MCB	Dec	BUY	393.6	476.0	21%	466.5	48.6	49.3	44.5	36.0	36.0	36.0	9%	9%	8.0	8.8	1.8	1.8	37%	23%	30%
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	172.3	228.0	32%	191.5	37.7	29.2	35.5	17.0	15.0	15.0	9%	9%	5.9	4.9	1.2	1.0	35%	20%	41%
9	ABL	Dec	BUY	178.6	254.0	42%	204.5	38.8	31.7	45.4	16.0	16.0	17.5	9%	10%	5.6	3.9	1.0	0.9	30%	18%	52%
10	MEBL	Dec	BUY	482.2	565.0	17%	868.2	57.3	50.2	52.5	28.0	28.0	27.0	6%	6%	9.6	9.2	3.0	2.6	41%	31%	23%
11	MUGHAL	Jun	BUY	84.1	106.0	26%	28.2	6.0	2.8	2.8	0.0	0.0	0.0	0%	0%	29.7	30.0	1.0	1.0	15%	4%	26%
12	ISL	Jun	BUY	91.2	131.0	44%	39.7	8.4	3.6	6.0	5.5	2.5	4.0	3%	4%	25.5	15.2	1.9	1.9	6%	8%	48%
13	OGDC	Jun	BUY	290.4	427.0	47%	1,249.0	48.6	39.5	48.0	10.1	15.1	18.0	5%	6%	7.4	6.1	0.9	0.8	18%	15%	53%
14	PPL	Jun	BUY	229.0	350.0	53%	623.2	42.0	33.8	43.5	6.0	7.5	8.0	3%	3%	6.8	5.3	0.9	0.8	20%	13%	56%
15	POL	Jun	BUY	625.7	897.0	43%	177.6	137.9	85.2	105.0	95.0	75.0	90.0	12%	14%	7.3	6.0	2.0	1.9	47%	28%	58%
16	LUCK	Jun	BUY	436.5	568.0	30%	639.5	44.1	52.5	62.8	3.0	4.0	6.5	1%	1%	8.3	7.0	0.8	0.7	19%	10%	32%
17	FCCL	Jun	BUY	52.8	72.0	36%	129.5	3.4	5.4	6.5	1.0	1.3	1.5	2%	3%	9.7	8.1	1.6	1.4	12%	17%	39%
18	MLCF	Jun	BUY	108.4	147.0	36%	113.6	5.0	16.3	13.0	0.0	0.0	0.0	0%	0%	6.7	8.4	2.2	1.7	11%	12%	36%
19	NML	Jun	HOLD	170.4	175.0	3%	59.9	18.1	17.1	35.0	3.0	2.0	4.5	1%	3%	10.0	4.9	0.4	0.4	6%	6%	5%
20	ILP	Jun	BUY	82.5	109.0	32%	115.6	11.3	3.8	8.6	5.5	1.0	4.0	1%	5%	21.5	9.6	1.5	1.4	40%	11%	37%
21	GATM	Jun	BUY	25.3	49.0	93%	18.8	6.4	5.4	7.0	0.0	0.0	0.0	0%	0%	4.7	3.6	0.4	0.3	11%	8%	93%
HMFS Universe						32%	7,878.7							5%	6%	10.6	8.4	1.6	1.5	25%	18%	37%

(*) 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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Note: All fair value estimates are for a twelve month time horizon unless specified otherwise in the report	
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Total Return is based on both the Capital Gains return & the Dividend Yield & is exclusive of all applicable taxes	