



# WEEKLY REPORT

# A CROSSFIRE WEEK

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**DATE:**

Friday, February 27, 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 Third EFF Review Underway as Business Confidence Lags Macro Stabilization**

The IMF's third EFF (Extended Fund Facility) review and second RSF (Resilience and Sustainability Funding) review commenced on February 25th, with mission team present through March 11th. Completion is expected to unlock ~USD 1.2bn by late April. Finance Minister expressed confidence in Pakistan's positioning, supported by a primary surplus of 1.3% of GDP in FY25, SBP reserves at USD 14.5bn, and inflation projected within the 5-7% band. The agenda extends well beyond quantitative benchmarks, however, encompassing circular debt, electricity tariffs, Governance Diagnostic implementation, the National Fiscal Pact, and the FY27 budget framework — with USD 12.5bn in combined bilateral rollovers remaining a material external financing overhang. On the private sector front, roughly eighteen major corporations under the OICCI platform raised pointed concerns with the mission — export contraction of over 7% in 7MFY26, punitive effective tax rates, and energy policy unpredictability. Mission chief acknowledged FBR underperformance as a shared programme failure but pressed for a phased rather than accelerated reform path. The central tension is clear: headline stabilization is increasingly legible, but its transmission to private investment and export competitiveness remains weak — a gap the review must credibly address.

### **Budget Signals a Pro-Business Pivot Amid IMF and Tariff Headwinds**

PM Shehbaz Sharif pledged across-the-board direct tax reductions in the FY27 budget, while the PM aide confirmed the budget would be industry-friendly, with tax relaxation and incentives already under review. The messaging is deliberate — with the IMF mission on the ground, the government is framing the next budget as a credible transition from stabilization to growth. The tension, however, is real: broad-based direct tax cuts run counter to the IMF's revenue mobilization requirements, and whether the PM's remarks reflect genuine budget intent or pre-tranche negotiating posture remains the central question. On the external front, the US tariff picture has shifted in Pakistan's favour. Following the Supreme Court's striking down of IEEPA-based tariffs, President Trump imposed a 15% global tariff under Section 122 of the Trade Act of 1974 — valid for 150 days. For Pakistan, this is a relative improvement: the prior country-specific reciprocal tariff stood at 19%, meaning Pakistani exporters now face a lower and uniform rate alongside all other nations. With textiles dominating US-bound exports and volumes already under pressure, the tariff reduction offers some breathing room — though at 15%, the absolute burden remains non-trivial and export competitiveness is far from restored.

## Major Events

### Debt Profile Under the Microscope as Structural Vulnerabilities Accumulate

Government borrowing from commercial banks surged to PKR 1.9tn in 7MFY26 versus PKR 408bn a year earlier — a near-fivefold increase — intensifying private sector crowding out concerns. Total government debt stood at PKR 78.5tn as of December 2025, up 9.6% y/y, with gross public debt at PKR 81.3tn and breaching the statutory 56% of GDP ceiling by ~15%. The Ministry of Finance pushed back on external debt commentary this week, clarifying that while total external debt and liabilities stand at USD 138bn, public external debt is ~USD 92bn, 75% of which is concessional — with average cost cited at ~4%. The rebuttal, however, cannot obscure that interest outflows rose 80% between FY22 and FY25 to USD 3.59bn, reflecting a materially heavier servicing burden in absolute terms. On a separate note, profit and dividend repatriation jumped 26% y/y to USD 1.68bn in 7MFY26 even as FDI fell 41% — a damaging asymmetry. DISCOs added PKR 397bn to circular debt in FY25 as per NEPRA, with recovery rates at some companies as low as 38.7%. On the financing side, Pakistan's USD 250mn Panda bond issuance has stalled past the Finance Minister's February 28th deadline due to land disputes and internal procedural failures, with the government now pursuing a USD 600mn Standard Chartered loan as an alternative. Combined with USD 12.5bn in unresolved bilateral rollovers, the overall debt picture is becoming harder to manage at the margin — even as the headline narrative holds.

## Other News

**Qataris urged to explore opportunities:** Prime Minister Shehbaz Sharif on Tuesday highlighting Pakistan's improving macroeconomic indicators and reform measures introduced to facilitate foreign investment, invited the members of Qatar Businessmen Association (QBA) to explore opportunities infrastructure, logistics, energy, agriculture, technology and export-oriented manufacturing sectors.

**NA body informed: Border closure, Russia ban cut potato exports by 50pc:** Closure of border with Afghanistan and ban by Russia has reduced the exports of potatoes by almost 50 percent, causing lot of problems for the farmers who are desperately looking for buyers. This was stated by Minister for National Food Security and Research Rana Tanveer Hussain at a meeting of the National Assembly Committee on Food Security and Research chaired by MNA Syed Hussain Tariq.

**Govt says 5-year wheat policy being readied:** Federal Minister for National Food Security and Research, Rana Tanveer Hussain on Saturday said the government is formulating a comprehensive long-term wheat policy for 2026–30, aimed at strengthening national food security through modern reforms.

**Monthly FCA: Consumers of Discos & KE set to pay extra Rs18bn:** Consumers of Power Distribution Companies (Discos) and K-Electric are set to pay an additional amount exceeding Rs 18 billion under the monthly Fuel Charges Adjustment (FCA) at Rs 1.78 per unit, along with 18 percent GST.

**EU-India FTA does not pose immediate threat to Pakistan: MoC:** The Ministry of Commerce has stated that, at this stage, the proposed European Union (EU)–India Free Trade Agreement (FTA) does not pose an immediate threat to Pakistan's exports. It maintained that even after the agreement becomes operational and tariffs on Indian goods are gradually eliminated, Pakistan will continue to enjoy zero-duty access for its key exports under the EU's GSP+ arrangement.

**Wheat procurement price fixed at Rs3,500:** The federal government has set an illustrative wheat procurement price at Rs3,500 per 40 kilograms and has sensitised the provinces to ensure the smooth implementation of the procurement drive during the upcoming harvesting season.

**Non-textile exports dip 17pc in July-January:** Exports of non-textile products dipped by 17.32 per cent to \$7.286 billion in the first seven months of the current fiscal year from \$8.812bn, largely attributed to a steep reduction in exports of agricultural produce and value-added shipments.

## Other News

**Uzbek, Kazakh leadership's visits: More private-sector collaboration among ECO member states initiated:** Atif Ikram Sheikh President FPCCI & President of the Economic Cooperation Organization's Chamber of Commerce & Industry (ECO-CCI), has apprised that following recent high-level visits of the leadership of Uzbekistan and Kazakhstan to Pakistan – which emphasized strengthening economic and trade cooperation – he has initiated steps to enhance private-sector collaboration among ECO member states.

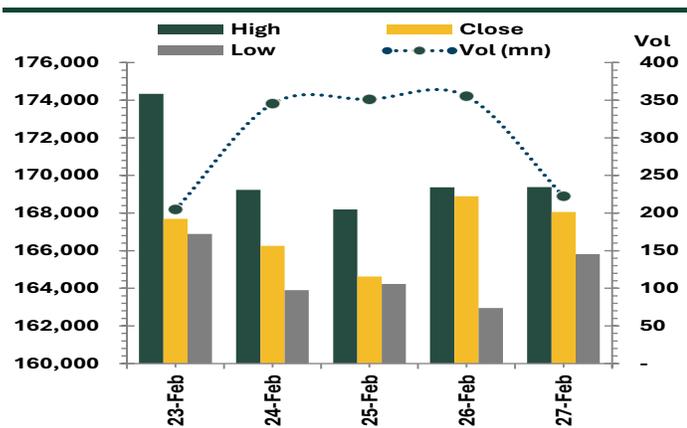
**Power Division rejects Nepra's report, cites Rs780bn circular debt cut:** Pakistan's Power Division on Thursday rejected a recent report by National Electric Power Regulatory Authority, saying it misrepresents the performance of distribution companies and overlooks a "historic turnaround" that cut circular debt by Rs780 billion in the fiscal year 2024-25.

# Equity Market Review

## Summary

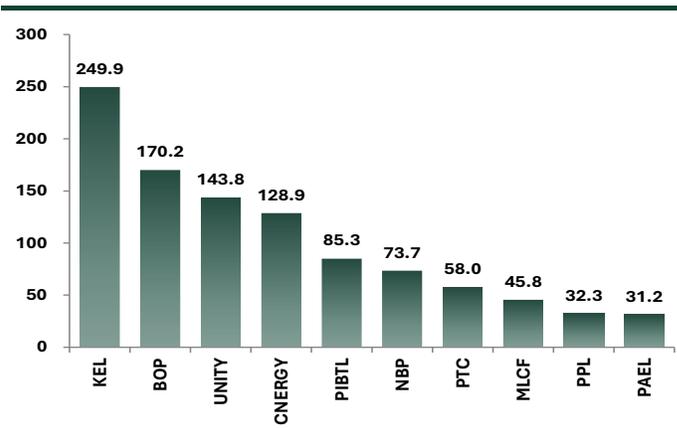
The week unfolded as a sharply negative one for equities at the Pakistan Stock Exchange, with heightened selling pressure dominating trading activity. Escalating tensions between the U.S. and Iran weighed heavily on investor sentiment, triggering broad-based selloffs, particularly in index-heavyweight stocks. Volatility in global oil prices further amplified caution across the capital market. The already fragile environment was compounded by futures contract settlements and rollover-related adjustments, which intensified the downward pressure. During the week, the KSE-100 index declined by as much as 10,216.08 points from the previous week's close at one stage. The steep correction brought valuations to attractive levels, leading to intermittent dip-buying. Toward the end of the week, the index showed signs of stabilization and briefly returned to positive territory. Nonetheless, renewed tensions between Pakistan and Afghanistan kept investors cautious, restricting a sustained rebound. By the final trading session, the benchmark settled at 168,062.16, reflecting a w/w decline of 5,107.55 points, albeit with partial recovery from intraweek lows. Trading volumes remained subdued, averaging ~295.83mn shares on the KSE-100 and ~593.82mn shares across the broader market.

### Daily Market Performance



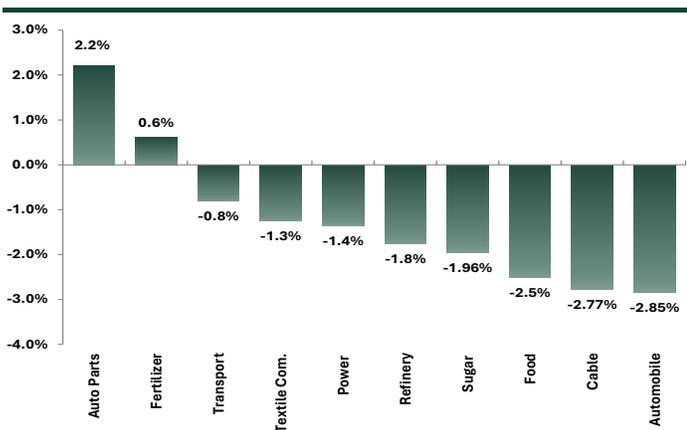
Source: PSX & HMFS Research

### Top 10 Volume leaders (volumes in mn)



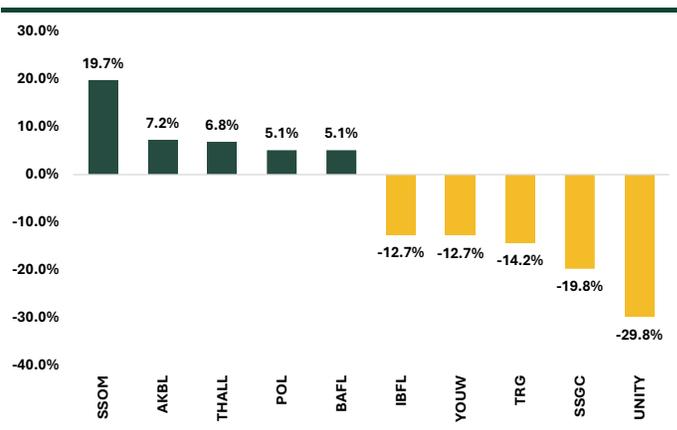
Source: PSX & HMFS Research

### Sector Performance



Source: PSX & HMFS Research

### Gainers & Losers (KSE-100 Index)



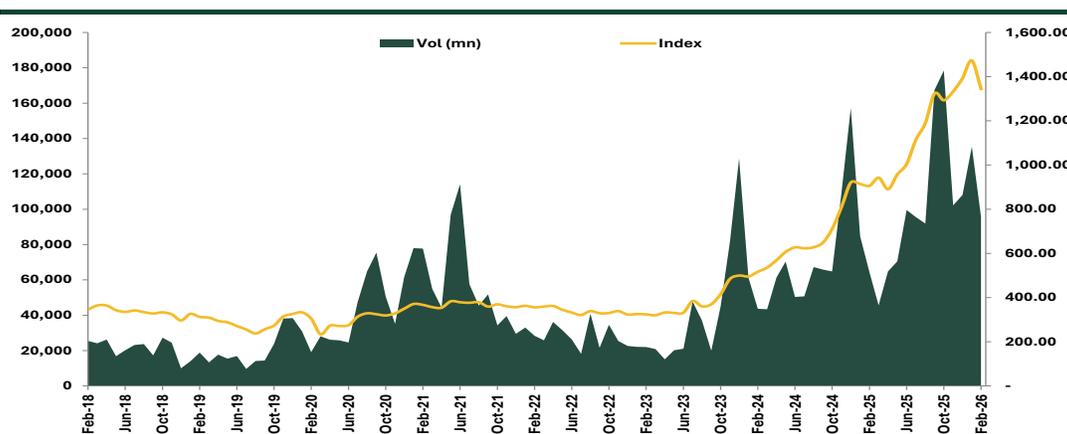
Source: PSX & HMFS Research

# Equity Market Review

## Outlook

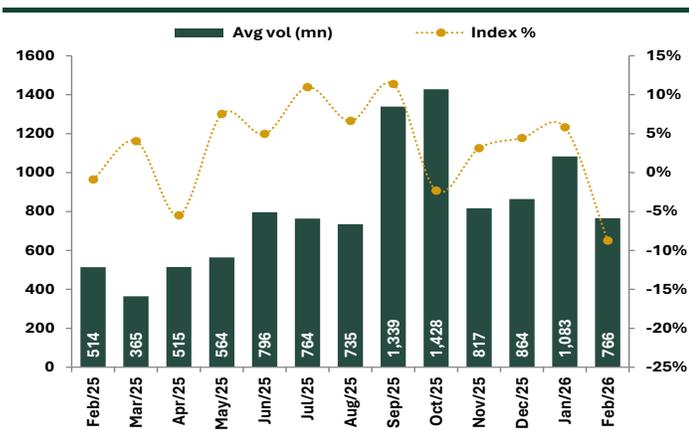
Following the late-week recovery, the market is expected to begin the upcoming week on a cautiously constructive note, subject to developments on the geopolitical front. Any meaningful progress in peace negotiations between Pakistan and Afghanistan, alongside easing global tensions between the U.S. and Iran, could help stabilize broader risk sentiment and support equities. Market participants are also closely watching discussions surrounding a potential return to the T+2 settlement cycle. While clarity is still awaited, confirmation of such a move could bring greater operational certainty to trading activity and improve overall market participation. From a valuation standpoint, the recent correction has created selective entry opportunities in heavyweight sectors, which may attract institutional and value-based buying. However, external risks remain elevated, and any adverse geopolitical developments could quickly reverse improving sentiment. In this environment, investors are advised to maintain a balanced and vigilant approach, focusing on fundamentally strong companies with resilient earnings profiles and sustainable long-term growth potential.

### Index Performance



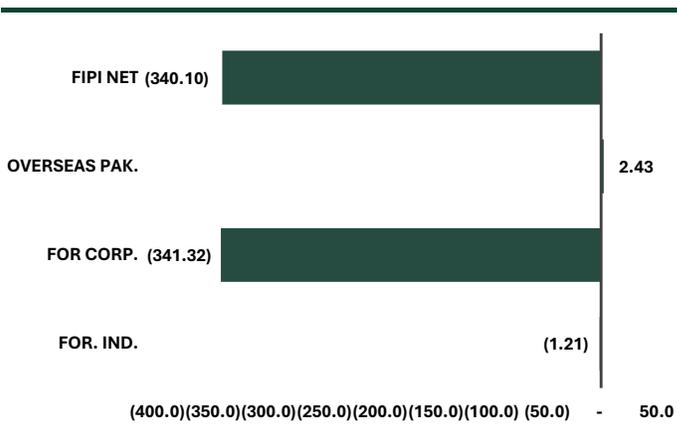
Source: PSX & HMFS Research

### MoM Index gain vs Average Volume



Source: PSX & HMFS Research

### FIPI (CYTD in USD mn)



Source: NCCPL & HMFS Research

# Money Market Review

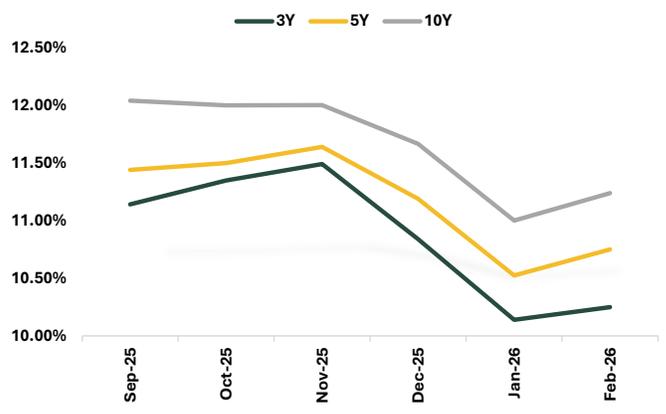
## Summary

During the week ended February 27, 2026, the State Bank of Pakistan (SBP) did not conduct any auctions for Market Treasury Bills (MTBs) or Pakistan Investment Bonds (PIBs), reflecting a pause in primary market activity. On the liquidity front, the SBP continued to actively manage system liquidity through Open Market Operations (OMOs), conducting two reverse repo operations that injected a combined PKR 12.173tn into the banking system, supporting short-term liquidity and helping maintain orderly money market conditions.

## Outlook

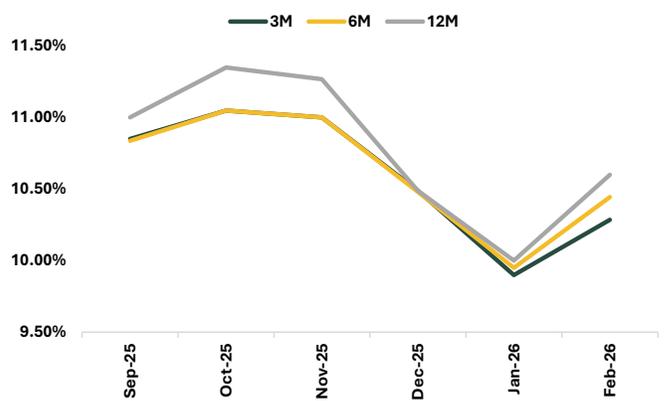
Going forward, money market rates are expected to hover close to the policy corridor, anchored around the prevailing policy rate of 10.5%, with any meaningful deviation contingent on government borrowing requirements and tax-related liquidity flows. Market participants will remain watchful of upcoming inflation readings and policy signals from the State Bank of Pakistan (SBP), while the scheduled MTB and PIB auctions on March 04 and March 11, respectively, will serve as key indicators of investor appetite and near-term yield direction.

### PIB Yields



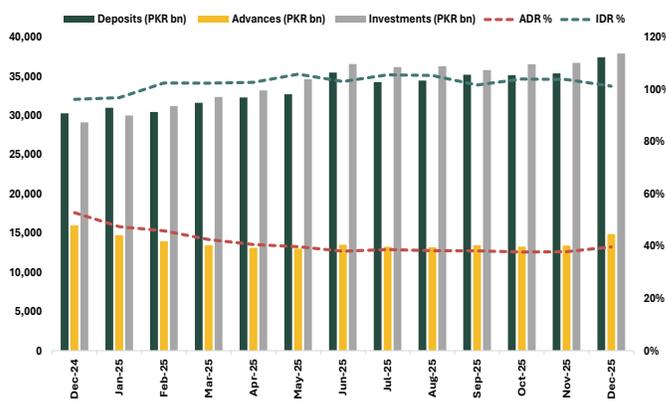
Source: SBP & HMFS Research

### T-Bill Yields



Source: SBP & HMFS Research

### Bank's ADR & IDR



Source: SBP & HMFS Research

# Forex Market Review

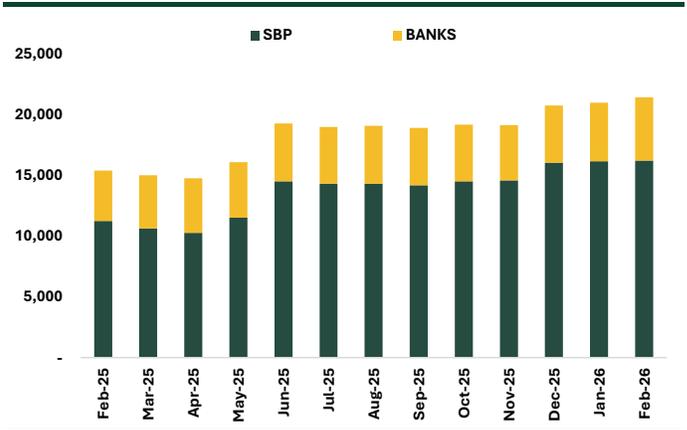
## Summary

Foreign exchange reserves held by the State Bank of Pakistan (SBP) increased by USD 16mn or 0.10% w/w to USD 16.21bn during the week ended February 20, 2026. Meanwhile, net foreign reserves held by commercial banks rose by USD 90.2mn or 1.77% w/w to USD 5.19bn. As a result, the country’s total liquid foreign exchange reserves increased by USD 106.2mn or 0.50% w/w to USD 21.41bn. On the currency front, the PKR remained broadly stable against the USD in the interbank market, closing the week at PKR 279.47.

## Outlook

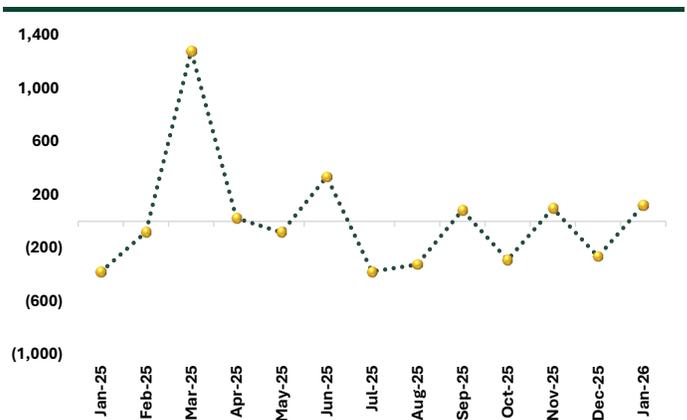
Going forward, the forex market is expected to remain relatively stable, supported by modest increases in SBP and commercial bank reserves. Key drivers will include the rollover of USD 2bn deposits from the UAE, currently under negotiation for an extended period, which should help ease external financing pressures. Additionally, outcomes from the ongoing IMF program review and continued remittance inflows will influence short-term PKR dynamics. In this environment, the PKR is likely to trade within a narrow range, with limited volatility, unless unexpected external shocks or delays in financing commitments arise.

Foreign Exchange Reserves (USD bn)



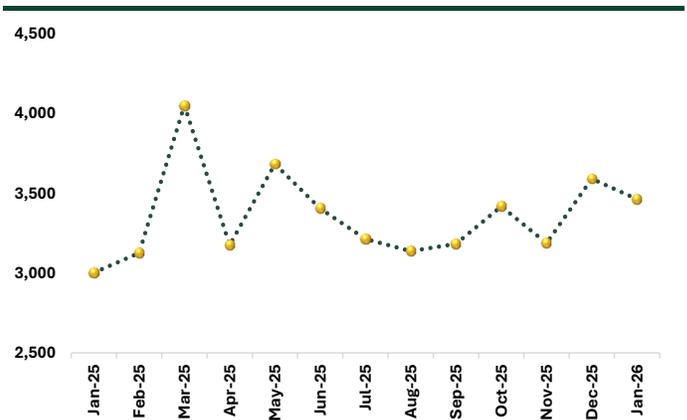
Source: SBP & HMFS Research

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
<b>Banking Indicators</b>											
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%
<b>Interest rate Spread</b>	%	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%
<b>ADR</b>	%	-	39.75%	37.93%	37.78%	38.22%	38.28%	1.82%	52.87%	44.37%	8.50%
<b>IDR</b>	%	-	101.28%	103.82%	103.98%	101.72%	105.34%	-2.54%	96.19%	90.80%	5.39%

<b>Kibor (Ask Side)</b>											
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%

<b>Avg. Exchange Rates</b>											
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
<b>Inflation</b>											
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%

<b>Commodities</b>											
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%

<b>External Sector (FY USD mn)</b>											
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	CY-26/ FY-26								
							Trn	PKR	PKR	PKR	PKR	PKR	PKR	%	%	x	x	x	x	%	%	%		
1	FFC	Dec	BUY	552.6	657.0	19%	795.2	45.5	51.7	60.5	36.5	37.0	43.5	7%	8%	10.7	9.1	5.2	4.4	48%	49%	27%		
2	EFERT	Dec	BUY	215.9	255.0	18%	288.3	21.2	17.0	28.5	21.5	15.0	26.7	7%	12%	12.7	7.6	5.8	5.5	60%	45%	30%		
3	INDU*	Jun	BUY	2061.4	2321.0	13%	162.0	191.8	292.7	347.0	114.7	176.0	208.0	9%	10%	7.0	5.9	2.5	2.1	14%	27%	23%		
4	HCAR	Mar	BUY	187.7	298.0	59%	26.8	16.3	19.0	27.3	6.5	8.0	11.5	4%	6%	9.9	6.9	1.1	1.0	8%	6%	65%		
5	HBL	Dec	BUY	310.5	372.0	20%	455.5	39.9	45.5	43.2	16.3	20.0	18.0	6%	6%	6.8	7.2	0.9	0.9	16%	14%	26%		
6	MCB	Dec	BUY	397.2	476.0	20%	470.8	48.6	49.3	44.5	36.0	36.0	36.0	9%	9%	8.1	8.9	1.9	1.8	37%	23%	29%		
7	UBL	Dec	BUY	439.8	514.0	17%	1,101.4	61.1	64.0	60.5	44.0	45.0	44.0	10%	10%	6.9	7.3	1.5	1.4	29%	21%	27%		
8	BAHL	Dec	BUY	167.0	228.0	37%	185.6	37.7	29.2	35.5	17.0	15.0	15.0	9%	9%	5.7	4.7	1.1	1.0	35%	20%	46%		
9	ABL	Dec	BUY	174.7	254.0	45%	200.0	38.8	31.7	45.4	16.0	16.0	17.5	9%	10%	5.5	3.8	1.0	0.8	30%	18%	55%		
10	MEBL	Dec	BUY	460.5	565.0	23%	829.2	57.3	50.2	52.5	28.0	28.0	27.0	6%	6%	9.2	8.8	2.9	2.5	41%	31%	29%		
11	MUGHAL	Jun	BUY	82.6	106.0	28%	27.7	6.0	2.8	2.8	0.0	0.0	0.0	0%	0%	29.2	29.5	1.0	1.0	15%	4%	28%		
12	ISL	Jun	BUY	86.3	148.0	71%	37.5	8.4	3.6	7.2	5.5	2.5	4.0	3%	5%	24.1	12.0	1.8	1.7	6%	8%	76%		
13	OGDC	Jun	BUY	283.5	427.0	51%	1,219.2	48.6	39.5	48.0	10.1	15.1	18.0	5%	6%	7.2	5.9	0.9	0.8	18%	15%	57%		
14	PPL	Jun	BUY	216.8	350.0	61%	589.8	42.0	33.8	43.5	6.0	7.5	8.0	3%	4%	6.4	5.0	0.8	0.7	20%	13%	65%		
15	POL	Jun	BUY	657.6	897.0	36%	186.7	137.9	85.2	105.0	95.0	75.0	90.0	11%	14%	7.7	6.3	2.1	2.0	47%	28%	50%		
16	LUCK	Jun	BUY	422.2	568.0	35%	618.5	44.1	52.5	62.8	3.0	4.0	6.5	1%	2%	8.0	6.7	0.8	0.7	19%	10%	36%		
17	FCCL	Jun	BUY	52.0	72.0	39%	127.5	3.4	5.4	6.5	1.0	1.3	1.5	2%	3%	9.6	7.9	1.6	1.4	12%	17%	41%		
18	MLCF	Jun	BUY	95.0	147.0	55%	99.5	5.0	16.3	13.0	0.0	0.0	0.0	0%	0%	5.8	7.3	1.9	1.5	11%	12%	55%		
19	NML	Jun	HOLD	174.7	175.0	0%	61.4	18.1	17.1	35.0	3.0	2.0	4.5	1%	3%	10.2	5.0	0.5	0.4	6%	6%	3%		
20	ILP	Jun	BUY	85.7	128.0	49%	120.1	11.3	3.8	9.2	5.5	1.0	4.0	1%	5%	22.3	9.3	1.5	1.4	40%	11%	54%		
21	GATM	Jun	BUY	21.3	49.0	130%	15.7	6.4	5.4	7.0	0.0	0.0	0.0	0%	0%	3.9	3.0	0.3	0.3	11%	8%	130%		
HMFS Universe						37%	7,618.3							5%	6%	10.3	8.1	1.6	1.5	25%	18%	42%		

(\* ) 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.)

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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