



WEEKLY REPORT

UNCERTAINTY DRIVES CAUTION

DATE:

Friday, January 30, 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:

Growth Divergence and IMF Review Set Policy Tone

Pakistan's growth narrative this week featured contrasting domestic momentum and external caution ahead of a critical February IMF review. The Ministry of Finance's Monthly Economic Outlook expressed confidence in FY26 growth sustainability, citing Q1 FY26 GDP expansion of 3.71% (vs 1.80% prior year) and robust large-scale manufacturing growth of 6.0% during Jul–Nov, with the Quantum Index of Manufacturing at its highest level since FY16. Agriculture posted 2.9% growth in Q1, bolstering policymaker confidence that full-year GDP could approach 4.0%, with the SBP indicating a possible range of 3.75%–4.75%. However, external institutions struck a more measured tone: the World Bank's Global Economic Prospects projects 3.0% growth for FY26 and 3.4% for FY27, citing agricultural recovery but warning of current account pressures, while the IMF maintains its 3.2% projection and UN estimates point to 3.5% for calendar 2026. The divergence reflects structural headwinds—external financing constraints, fiscal pressures, and current account vulnerabilities—that temper near-term optimism. Against this backdrop, the IMF's third review mission is expected in February to unlock the next USD 1bn tranche. The government has directed the finance ministry to negotiate targeted relief for the salaried class and industry, while instructing the FBR to identify alternative revenue sources to offset relief measures without new taxation. Collectively, solid Q1 performance offers incremental support to sentiment, though the outcome of IMF negotiations remains key watchpoints through FY26.

Super Tax Upheld, Unlocking Rs150–200bn Revenue Recovery

The Federal Constitutional Court on January 27 upheld the constitutional validity of the super tax, ending years of legal uncertainty and clearing the path for accelerated revenue collection. The ruling disposed of approximately 2,200 pending tax cases and validated retrospective application to prior years, holding that Section 4B (imposed in 2015 on income exceeding PKR 500mn) and Section 4C (introduced in 2022 on income above PKR 150mn at rates of 1%–10%) were lawfully enacted. The court granted targeted relief to oil and gas exploration companies, allowing individual exemptions where super tax would breach contractual limits in petroleum concession agreements, while clarifying that banking companies are liable from tax year 2023 onwards under Finance Act 2023 amendments. Following the verdict, the FBR moved swiftly to accelerate collections, informing the IMF of an expected PKR 150bn–200bn recovery during Q3 FY26 (Jan–Mar) to address the PKR 335bn revenue shortfall recorded in H1 FY26, with total pending liability estimated at PKR 300bn–380bn.

Major Events

The decision provides fiscal relief and supports the government's strategy to meet IMF benchmarks without new taxation, though it crystallises heavier tax burdens for large corporates—particularly banking, cement, fertiliser, oil marketing, and pharmaceuticals—potentially pressuring margins and end-consumer pricing.

Government Moves to Cushion Industry as India's EU Advantage Looms Large

The government of Pakistan has unveiled targeted measures to shield domestic industry from intensifying external competitive pressures after India surged ahead in the European Union market under a new free-trade arrangement. According to the All Pakistan Textile Mills Association (APTMA), India has become “significantly more competitive” in the EU following the recently concluded EU-India Free Trade Agreement, which grants Indian textile and apparel exporters duty-free access on all tariff lines—a preferential edge that Pakistan cannot fully match despite its GSP+ arrangements covering only about two-thirds of tariff lines. APTMA warned this shift jeopardises around USD 9bn in exports and roughly 10 million jobs linked to Pakistan’s export-oriented sectors. In response to these heightened competitive threats, Prime Minister Shehbaz Sharif announced a reduction in electricity tariffs for industries, cutting the per-unit rate by PKR 4.4. This relief is part of a broader effort to lower input costs for manufacturers, improve productivity, and bolster competitiveness. The dual policy thrust reflects a strategic attempt by the government to offset competitive damage emanating from trade liberalisation elsewhere by strengthening domestic cost structures.

Other News

Pakistan power sector debt jumps by Rs223bn despite bank deals: Pakistan's power sector circular debt rose by Rs223 billion in the first five months of the current fiscal year, reaching Rs1.837 trillion by November 2025, underscoring persistent financial stress despite recent agreements with commercial banks aimed at containing the debt, officials said.

TDAP to showcase Pakistan's largest-ever agro and food participation at 'Gulfood 2026': The Trade Development Authority of Pakistan (TDAP) is set to mark a historic milestone at Gulfood 2026, orchestrating the country's largest-scale participation to date at the world's premier food and beverage trade exhibition.

First national SME cluster expo inaugurated: Pakistan's first national SME cluster exhibition was inaugurated at the Expo Centre Lahore, with officials describing it as a step toward structured small business development and export readiness, as per a statement released on Saturday.

PSX transitions to T+1 settlement cycle on Feb 9: Pakistan's capital market is set to enter a faster and more efficient era as the Pakistan Stock Exchange (PSX) transitions from a T+2 to a T+1 settlement cycle, effective February 9, 2026, marking a major reform aligned with international best practices.

Average CRR for banks reduced to 5pc: The State Bank of Pakistan (SBP) on Monday announced to reduce the average Cash Reserve Requirement (CRR) for banks from 6 percent to 5 percent to increase banks' lending capacity and support private sector credit growth.

PM for development of vast gemstone reserves: In a bold push to unlock the country's hidden wealth, Prime Minister Shehbaz Sharif on Monday called for the development of the vast gemstone reserves, highlighting their potential to boost exports and generate vital foreign exchange.

Govt approves changing National Accounts base year to 2025-26: After a 10-year pause, the government has approved changing the base year for National Accounts from 2015-16 to 2025-26 in order to add and exclude certain businesses for calculating the GDP growth rate.

Urea production: Cabinet approves gas allocation for three fertilizer plants: By transitioning fertilizer production onto a standalone gas supply infrastructure, the government has addressed critical vulnerabilities that have long plagued the production cycle of the critical agricultural input, said Ibrar Khan, Secretary General of the Pakistan Petroleum Exploration and Production Companies Association (PPEPCA).

Copper exports to China cross \$1.14b: In 2025, Pakistan's mineral exports to China recorded strong and diversified growth, according to the latest trade data, underscoring deepening industrial cooperation and rising demand from China's manufacturing, infrastructure and green-energy sectors.

\$430m US crude deal struck: In a notable private sector development with broader economic implications, Cnergyico Pk has executed a commercial transaction for the import of six million barrels of US West Texas Intermediate (WTI) crude valuing at around \$430 million.

Other News

Pakistan repays Rs3,650bn debt ahead of time: Khurram: Pakistan repaid over Rs 3,650 billion debt before time - first in country's history, said Khurram Schehzad, Advisor to Federal Minister for Finance and Revenue.

USD630.4m non-tax revenue estimated: SAC sets March 10 for 5G auction: The Spectrum Advisory Committee (SAC) locked March 10 for the auction of next-generation mobile (IMT) spectrum/5G with estimated minimum non-tax revenue of USD630.4 million.

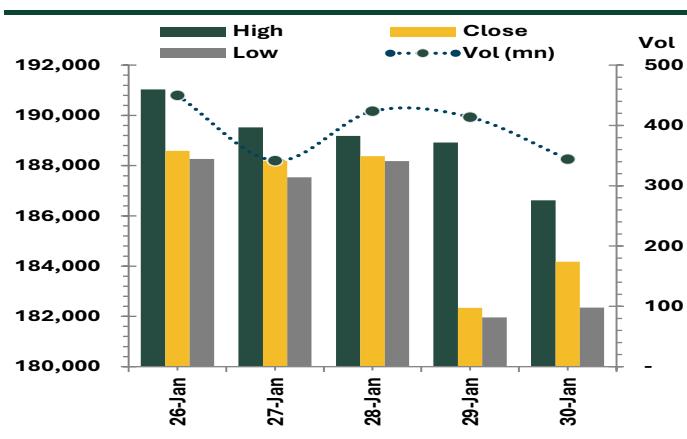
Govt finalises PIA privatisation deal with consortium: The federal government on Thursday finalised a deal to privatise Pakistan International Airlines (PIA), signing transaction documents with the Arif Habib Consortium in a move the government says will generate Rs55 billion in revenue and revive the loss-making national carrier through fresh investment and management control.

Equity Market Review

Summary

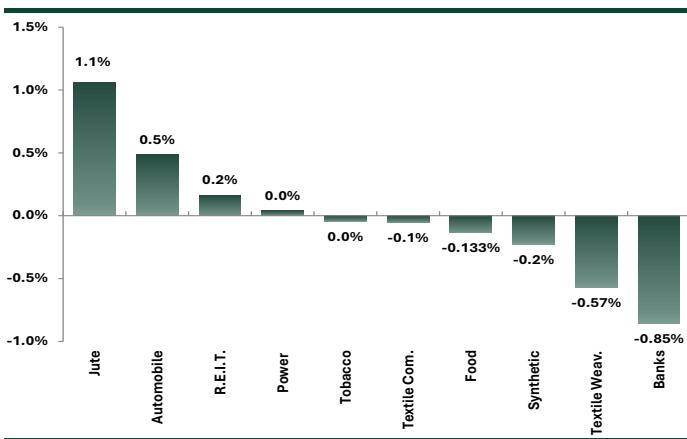
The equity market opened the week on a strong note, with the KSE-100 index scaling a fresh all-time high of 191,032.73, supported by improving macroeconomic indicators and optimism surrounding upcoming earnings from blue-chip companies. Value buying remained evident in early sessions; however, intermittent profit-taking capped further upside. Sentiment weakened midweek after the SBP maintained the policy rate in its monetary policy meeting, while elevated valuations encouraged investors to lock in gains. Geopolitical tensions further weighed on the market, triggering a sharp intra-day correction of over 6,000 points during the week. Nonetheless, as domestic conditions showed signs of stabilization, panic-led selling subsided and selective buying re-emerged. By the close of the week, the benchmark settled at 184,174.48, reflecting a week-on-week decline of 4,992.34 points. Trading activity remained robust, with average daily volumes of ~394.59mn shares on the KSE-100 and ~858.55mn shares across the broader market.

Daily Market Performance



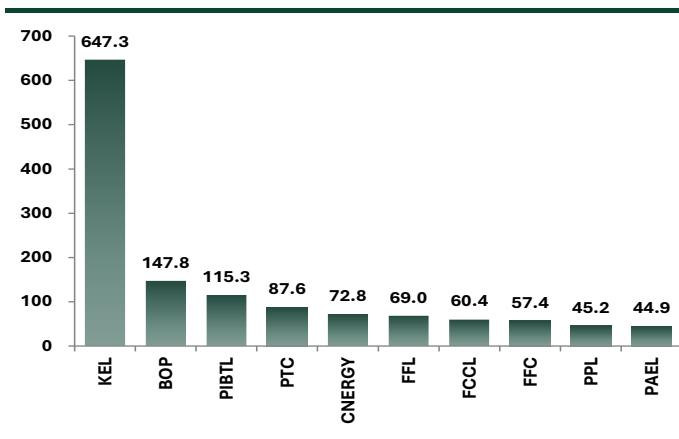
Source: PSX & HMFS Research

Sector Performance



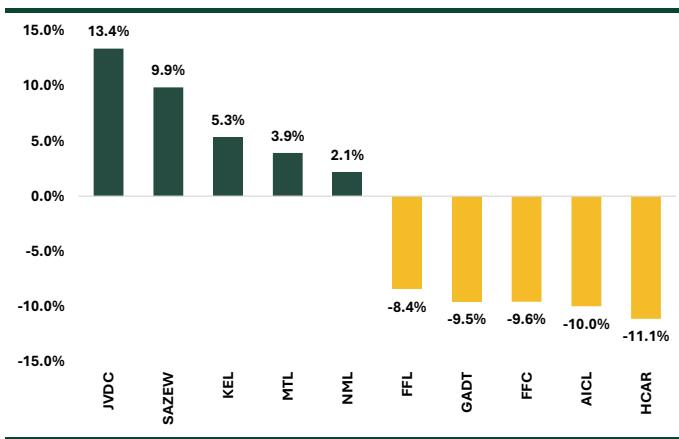
Source: PSX & HMFS Research

Top 10 Volume leaders (volumes in mn)



Source: PSX & HMFS Research

Gainers & Losers (KSE-100 Index)



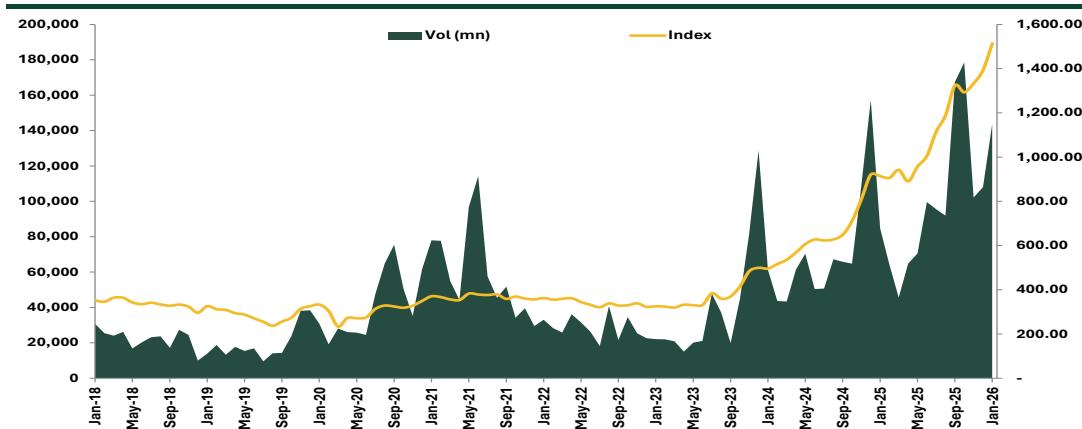
Source: PSX & HMFS Research

Equity Market Review

Outlook

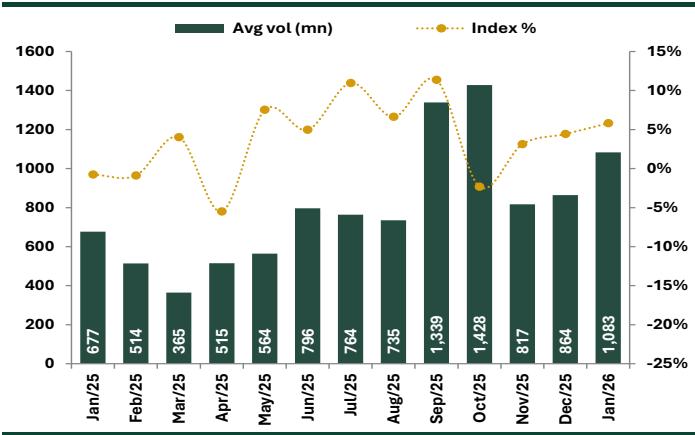
Looking ahead, market direction will largely be shaped by the continuation of the results season, as investors realign positions based on corporate earnings. Additional support may emerge as rollover pressures ease and fresh allocations from the new month enter the market. Investor focus is also expected to remain on key developments, including the IMF team's upcoming review of Pakistan's economic progress. On the external front, any escalation in geopolitical tensions—particularly between the U.S. and Iran—could pose downside risks to sentiment. In this environment, investors are advised to remain prudent, closely track developments, and prioritize fundamentally strong stocks with long-term growth potential.

Index Performance



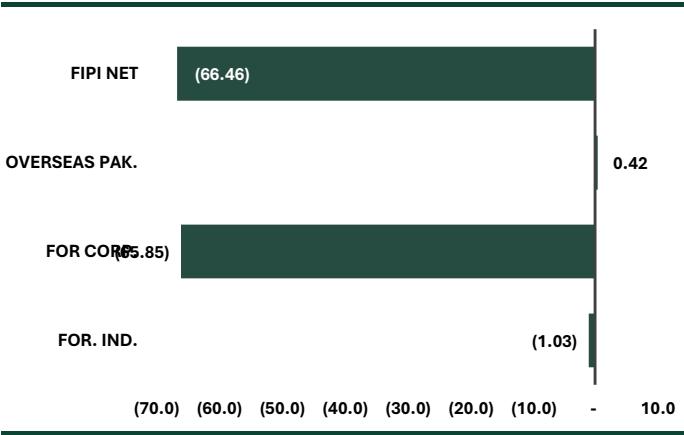
Source: PSX & HMFS Research

MoM Index gain vs Average Volume



Source: PSX & HMFS Research

FIFI (CYTD in USD mn)



Source: NCCPL & HMFS Research

Money Market Review

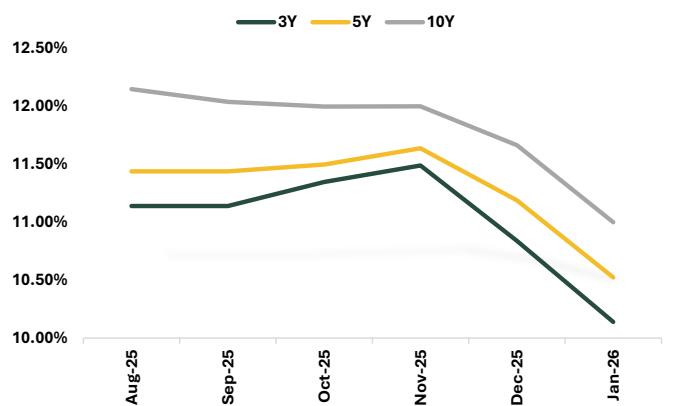
Summary

During the week, the State Bank of Pakistan (SBP) did not conduct any auctions for MTBs or PIBs. However, the MPC meeting took place, in which the SBP maintained the policy rate at 10.5%, opting for a status quo decision. Looking ahead, the next MTB auction is scheduled for February 04, while the upcoming PIB auction is slated for February 06. Additionally, the SBP conducted a reverse repo-based Open Market Operation (OMO), injecting PKR 13.2tn into the system to manage liquidity conditions.

Outlook

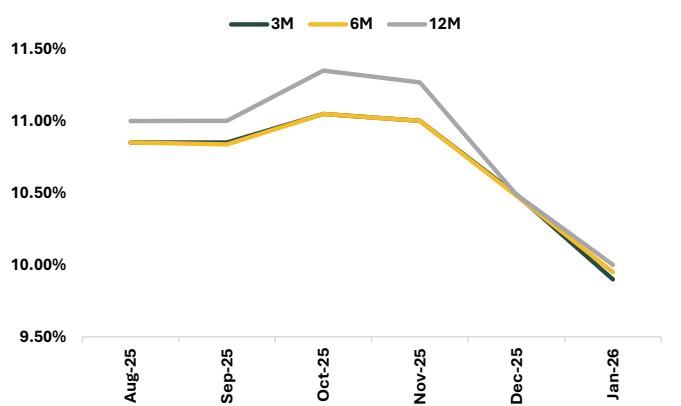
Although market expectations were tilted toward a rate cut, the MPC's decision to keep the policy rate unchanged provided a neutral-to-positive signal for money market sentiment by reinforcing policy stability. Further support came from the announcement of a 100bps reduction in the Cash Reserve Requirement (CRR) for commercial banks, lowering it to 5%, which is expected to ease liquidity conditions and support market activity. In the coming weeks, this combination of accommodative liquidity measures and the current policy stance is likely to promote price stability while gradually supporting economic growth. Moreover, upcoming government securities auctions are expected to provide additional direction and help sustain stability in the money market.

PIB Yields



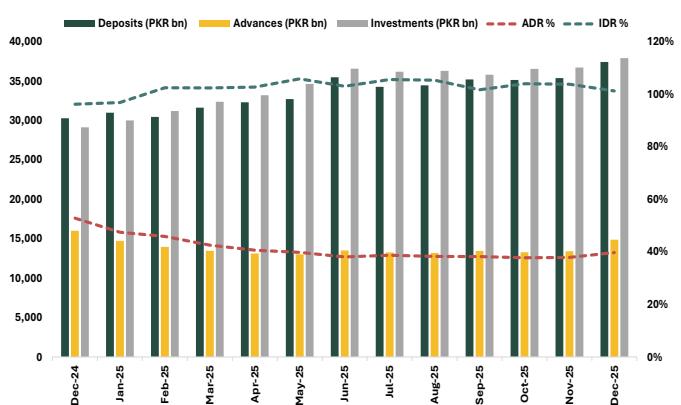
Source: SBP & HMFS Research

T-Bill Yields



Source: SBP & HMFS Research

Bank's ADR & IDR



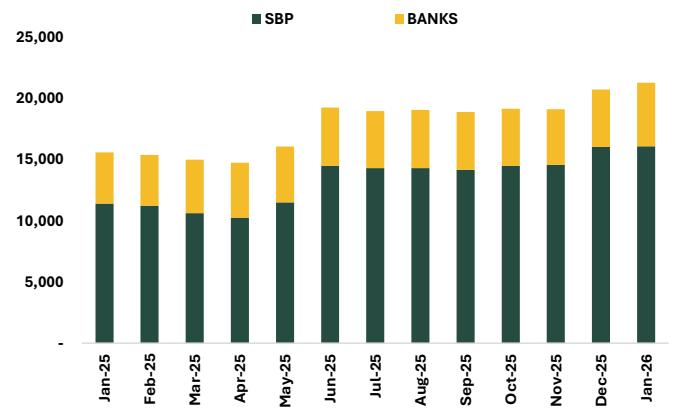
Source: SBP & HMFS Research

Forex Market Review

Summary

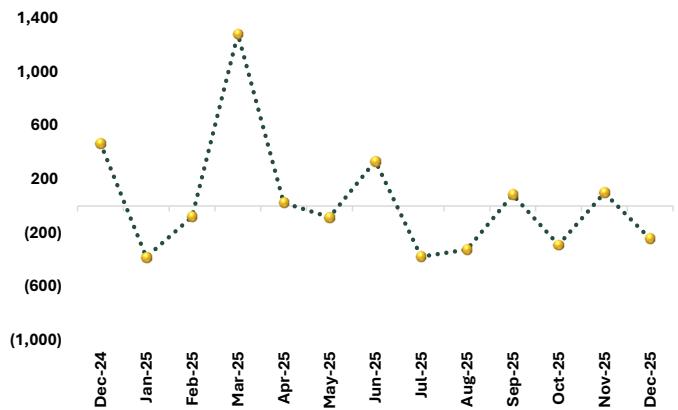
During the week ended January 23, 2026, SBP-held foreign exchange reserves increased by USD 13.4mn w/w to USD 16.101bn. Net foreign reserves of commercial banks stood at USD 5.192bn, rising by USD 22mn w/w, taking total country reserves to USD 21.29bn, up USD 35mn w/w. Meanwhile, the PKR remained broadly stable against the USD, closing the week at PKR 279.77.

Foreign Exchange Reserves (USD bn)



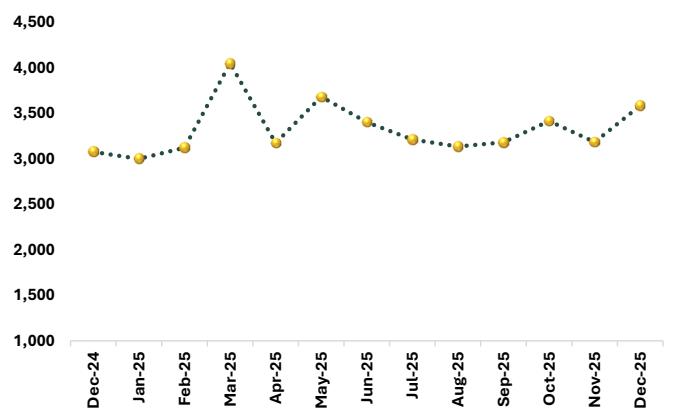
Source: SBP & HMFS Research

Current Account Balance (USD mn)



Source: SBP & HMFS Research

Remittances (USD mn)



Source: SBP & HMFS Research

Key Economic Indicators

Item	Units	Dec-25	Nov-25	Oct-25	Sep-25	Aug-25	Jul-25	%M/M	CY24	CY23	%Y/Y
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Banking Indicators											
Return on Outstanding Loans	%	10.91%	11.15%	11.25%	11.24%	11.33%	11.48%	-0.24%	17.07%	17.48%	-0.41%
Return on Deposits	%	5.35%	5.23%	5.23%	5.20%	5.31%	5.23%	0.12%	10.74%	10.30%	0.44%
Interest rate Spread	%	5.56%	5.92%	6.02%	6.04%	6.02%	6.25%	-0.36%	6.33%	7.18%	-0.85%
Deposits	(PKR bn)	37,431	35,380	35,149	35,211	34,463	34,280	5.80%	30,283	27,841	8.77%
Advances	(PKR bn)	14,880	13,421	13,279	13,456	13,193	13,273	10.87%	16,009	12,352	29.61%
Investments	(PKR bn)	37,910	36,732	36,547	35,816	36,303	36,191	3.21%	29,129	25,280	15.23%
ADR	%	39.75%	37.93%	37.78%	38.22%	38.28%	38.72%	1.82%	52.87%	44.37%	8.50%
IDR	%	101.28%	103.82%	103.98%	101.72%	105.34%	105.57%	-2.54%	96.19%	90.80%	5.39%

Kibor (Ask Side)											
3-Month	%	10.85%	11.16%	11.16%	11.05%	11.05%	11.02%	-0.31%	18.81%	21.48%	-2.67%
6-Month	%	10.89%	11.19%	11.18%	11.05%	11.05%	10.98%	-0.30%	18.58%	21.58%	-3.00%
9-Month	%	11.15%	11.44%	11.39%	11.27%	11.25%	11.19%	-0.29%	18.50%	21.84%	-3.34%
1-Year	%	11.16%	11.47%	11.40%	11.28%	11.26%	11.16%	-0.31%	18.21%	21.86%	-3.65%

Avg. Exchange Rates											
USD		280.29	280.71	281.11	281.53	282.19	284.20	-0.15%	278.53	280.44	-0.68%
Euro		328.43	324.52	327.24	330.31	328.15	332.05	1.20%	301.36	303.36	-0.66%
JPY		1.80	1.81	1.86	1.90	1.91	1.93	-0.64%	1.8410	1.9983	-7.87%
GBP		375.40	368.67	375.43	380.11	379.09	383.70	1.82%	355.94	348.95	2.00%
CNY		39.81	39.49	39.48	39.51	39.33	39.62	0.80%	38.70	39.59	-2.25%

Item	Units	Dec-25	Nov-25	Oct-25	Sep-25	Aug-25	Jul-25	%M/M	FY25	FY24	%Y/Y
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Inflation											
Avg. CPI	%	5.10%	5.01%	4.73%	4.22%	3.53%	4.07%	0.09%	4.49%	23.41%	-18.92%
Avg. NFNE	%	6.90%	6.60%	7.50%	7.00%	6.90%	7.00%	0.30%	6.90%	12.20%	-5.30%

Commodities											
Arab Light (Avg.)	USD/bbl	62.82	65.62	66.82	71.31	71.59	70.81	-4.27%	74.89	86.22	-13.14%

External Sector (FY USD mn)											
Total Imports	(USD Mn)	6,022	5,306	6,087	5,848	5,288	5,830	13.49%	58,387	54,937	6.28%
Total Exports	(USD Mn)	2,317	2,420	2,848	2,499	2,416	2,685	-4.26%	32,039	30,684	4.42%
Trade Balance	(USD Mn)	(3,705)	(2,886)	(3,239)	(3,349)	(2,872)	(3,145)	-28.38%	(26,348)	(24,253)	-8.64%
Current Account Balance	(USD Mn)	(244)	98	(291)	83	(325)	(379)	-348.98%	328	(313)	204.79%
Remittances	(USD Mn)	3,589	3,188	3,420	3,184	3,138	3,215	12.57%	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	1,275.20	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	CY-26/FY-26								
							Trn	PKR	PKR	PKR	PKR	PKR	PKR	%	%	x	x	x	x	%		
1 FFC	Dec	BUY	588.6	635.0	8%	847.0	45.5	57.5	60.5	36.5	39.5	43.5	7%	7%	10.2	9.7	5.3	4.6	52%	47%	15%	
2 EFERT	Dec	BUY	244.3	255.0	4%	326.2	21.2	24.7	28.5	21.5	22.0	26.7	9%	11%	9.9	8.6	6.4	6.1	60%	65%	15%	
3 INDU	Jun	BUY	2168.5	2321.0	7%	170.4	191.8	292.7	347.0	114.7	176.0	208.0	8%	10%	7.4	6.2	2.6	2.2	14%	27%	17%	
4 HCAR	Mar	BUY	232.0	298.0	28%	33.1	16.3	19.0	27.3	6.5	8.0	11.5	3%	5%	12.2	8.5	1.4	1.3	8%	6%	33%	
5 HBL	Dec	HOLD	343.9	372.0	8%	504.5	39.9	44.6	43.2	16.3	17.0	18.0	5%	5%	7.7	8.0	1.0	1.0	16%	13%	13%	
6 MCB	Dec	BUY	407.3	476.0	17%	482.7	48.6	45.5	44.5	36.0	36.0	36.0	9%	9%	9.0	9.2	1.9	1.9	37%	22%	26%	
7 UBL	Dec	HOLD	486.9	514.0	6%	1,219.4	61.1	64.0	60.5	44.0	45.0	44.0	9%	9%	7.6	8.1	1.6	1.5	29%	21%	15%	
8 BAHL	Dec	BUY	195.5	228.0	17%	217.3	37.7	34.9	35.5	17.0	16.0	15.0	8%	8%	5.6	5.5	1.3	1.1	35%	23%	24%	
9 ABL	Dec	BUY	199.9	254.0	27%	228.9	38.8	47.5	45.4	16.0	14.0	17.5	7%	9%	4.2	4.4	1.0	0.9	30%	24%	36%	
10 MEBL	Dec	BUY	488.7	565.0	16%	879.9	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	HOLD	95.1	106.0	11%	31.9	6.0	2.8	2.8	0.0	0.0	0.0	0%	0%	33.6	34.0	1.2	1.1	15%	4%	11%	
12 ISL	Jun	HOLD	106.5	98.0	-8%	46.3	8.4	3.6	3.7	5.5	2.5	1.0	2%	1%	29.7	28.8	2.3	2.2	6%	8%	-7%	
13 OGDC	Jun	Sell	323.9	257.0	-21%	1,393.2	48.6	39.5	48.0	10.1	15.1	18.0	5%	6%	8.2	6.8	1.0	0.9	18%	15%	-15%	
14 PPL	Jun	HOLD	277.3	260.0	-6%	754.6	42.0	33.8	43.5	6.0	7.5	8.0	3%	3%	8.2	6.4	1.1	0.9	20%	13%	-3%	
15 POL	Jun	BUY	644.6	688.0	7%	183.0	137.9	85.2	105.0	95.0	75.0	90.0	12%	14%	7.6	6.1	2.1	2.0	47%	28%	21%	
16 LUCK	Jun	BUY	482.1	568.0	18%	706.3	44.1	52.5	62.8	3.0	4.0	6.5	1%	1%	9.2	7.7	0.9	0.8	19%	10%	19%	
17 FCCL	Jun	BUY	57.1	72.0	26%	139.9	3.4	5.4	6.5	1.0	1.3	1.5	2%	3%	10.5	8.7	1.8	1.5	12%	17%	29%	
18 MLCF	Jun	BUY	115.2	147.0	28%	120.7	5.0	16.3	13.0	0.0	0.0	0.0	0%	0%	7.1	8.9	2.3	1.8	11%	12%	28%	
19 NML	Jun	HOLD	200.2	175.0	-13%	70.4	18.1	17.1	35.0	3.0	2.0	4.5	1%	2%	11.7	5.7	0.5	0.5	6%	6%	-10%	
20 ILP	Jun	BUY	83.3	109.0	31%	116.8	11.3	3.8	8.6	5.5	1.0	4.0	1%	5%	21.7	9.7	1.5	1.4	40%	11%	36%	
21 GATM	Jun	BUY	30.1	49.0	63%	22.2	6.4	5.4	7.0	0.0	0.0	0.0	0%	0%	5.6	4.3	0.5	0.4	11%	8%	63%	
HMFS Universe						13%	8,494.6							5%	5%	11.4	9.8	1.8	1.6	25%	19%	18%

(*) 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.

Contact Details

Chief Executive

Ather H. Medina

Chief Executive Officer

(92-21) 3582 2244

ather@hmfs.com.pk

Research Team

(92-21) 3264 8442

Uzma Taslim

Head Of Research

uzma.taslim@hmfs.com.pk

Rimsha Mohib

Research Analyst

rimsha.mohib@hmfs.com.pk

Hawwa Abdus Samad

Graduate Trainee Officer

hawwa@hmfs.com.pk

Rubeya Rashid

Research Analyst

rubeya.rashid@hmfs.com.pk

Sunain Rizwan

Graduate Trainee Officer

muhammad.sunain@hmfs.com.pk

Umesh Solanki

Database Manager

umesh.solanki@hmfs.com.pk

Sales Team

Syed Ahsan Ali

Head Of Institutional Sales & Business Development

(92-21) 3582 2277

ahsan.ali@hmfs.com.pk

Kashif Ibrahim

Senior Equity Trader

(92-21) 3582 2274

kashif.ibrahim@hmfs.com.pk

Irfan Surya

Senior Equity Trader

(92-21) 3582 2217

muhammad.irfan@hmfs.com.pk

Online Desk

Iftikhar Hassan

Head Of Online Product

(92-21) 3582 2208

iftikhar@hmfs.com.pk

Umair Ilyas

Online Trader

(92-21) 3514 8162

umair.ilyas@hmfs.com.pk

Mehak Nasir

Sales & Customer Support

(92-21) 3514 8162

mehak.nasir@hmfs.com.pk

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