REP-110

HABIBMETRO
Financial Services

WEEKLY REPORT

CONFIDENCE HOLDS, BUT CAUTION LINGERS

DATE:

Friday, June 19, 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:

US-Iran Ceasefire Agreement Faces Setback Amid Renewed Regional Tensions

A significant diplomatic development emerged as the United States and Iran reached an agreement aimed at formally ending more than three months of conflict, with both sides moving towards a broader ceasefire framework. The proposed agreement included the reopening of the Strait of Hormuz, removal of restrictions on Iranian ports, extension of the ceasefire, and a 60-day negotiation period to address unresolved issues related to Iran's nuclear program. The diplomatic breakthrough gained further momentum after the signing of the "Islamabad Memorandum of Understanding" (MoU). Pakistan played a key facilitating role in the process, with Prime Minister Shehbaz Sharif announcing that a formal signing ceremony would be hosted in Geneva on June 19. However, the progress towards normalization faced immediate challenges as Israel's subsequent actions were viewed as undermining the ceasefire arrangement, raising doubts over the sustainability of the agreement. The situation escalated further after planned US-Iran talks in Switzerland regarding the implementation of the agreement were cancelled, following the withdrawal of US officials from the meeting. The latest developments highlight the fragile nature of the diplomatic process, with the initial breakthrough being overshadowed by renewed tensions and uncertainty over whether the ceasefire can translate into a lasting resolution

Economic Activity Shows Gradual Recovery Amid Rising Imports and Industrial Growth

Pakistan's economic activity continues to show signs of recovery, reflected through improving import demand, industrial performance, and stronger trade activity. Imports increased nearly 12% over a two-year period, while Balance of Payments data showed total imports rising 3.4% YoY to USD 5.69bn. The major driver of import growth was the Mineral Products category, including petroleum and fuel products, which surged 57% YoY to USD 1.94bn in May 2026 compared to USD 1.24bn last year, indicating higher energy demand amid improving economic activity. On the external front, Pakistan posted a current account surplus of USD 459mn in May, compared to a deficit of USD 44mn in the same period last year, supported by stronger remittances and export performance, although the rising import bill remains a key pressure point. On the external financing side, the government plans to raise USD 23.4bn in FY27 through multilateral and bilateral loans, commercial borrowing, and international bond issuance to support financing requirements. Meanwhile, Karachi Port recorded its highest ship traffic in eight years, with 2,003 vessels handled during FY26, up 7.5% YoY, while total tonnage surpassed 84.4mn tonnes. Increased transshipment activity, supported by regional shipping disruptions due to the

Major Events

Iran conflict, contributed to higher cargo movement through Pakistan's ports. Despite inflationary pressures, industrial activity maintained momentum, with Large Scale Manufacturing output rising 6.1% YoY and 8.3% MoM in April 2026, driven by automobiles, garments, and transport equipment. Overall, recent indicators reflect a gradual recovery in economic activity, supported by improving industrial output and trade flows, while inflation and external financing remain key challenges.

Relief-Oriented Budget Push Amid Weak Development Spending

The fiscal policy debate gained momentum during the week as the Senate adopted 123 recommendations on the FY2026-27 federal budget, urging the government to provide relief to lower- and middle-income households through higher income tax exemption thresholds, reduced tax burden on salaried individuals, lower electricity costs, and targeted subsidies for vulnerable consumers. The recommendations also called for broadening the tax base by improving documentation and increasing taxation on luxury consumption and non-productive assets, rather than imposing additional burdens on existing taxpayers. Simultaneously, concerns regarding public sector development spending resurfaced after official data revealed that federal ministries and agencies utilised only PKR 529.8bn, or 52.4% of the original PSDP allocation, during the first eleven months of FY2025-26, highlighting persistent implementation bottlenecks despite near-complete authorization of the revised development budget. The underutilisation of development funds, alongside resource constraints and execution challenges, has raised questions over fiscal efficiency and the economy's ability to translate budgetary allocations into real economic activity. Collectively, these developments highlight a widening gap between policy priorities and implementation capacity, underscoring the challenge of balancing fiscal consolidation with inflation relief and development spending needs.

Other News

Oil slips 4% as US, Iran reach peace deal to reopen Strait of Hormuz: Oil prices slipped to their lowest since March on Monday after US President Donald Trump and Iran's deputy foreign minister said they had reached an initial deal to end the war and to resume traffic through the Strait of Hormuz. Brent crude futures fell $3.58, or 4.10%, to $83.75 a barrel by 0004 GMT and US West Texas Intermediate was at $80.87, down $4.01, or 4.72%.

FBR expects Rs5.5tr additional revenue through documentation, digital monitoring: The Federal Board of Revenue (FBR) Chairman Rashid Mahmood Langrial has said that Pakistan's tax authorities expect to generate around Rs5.5 trillion in additional revenue through expanded documentation of the economy, digital monitoring systems and reforms aimed at bringing untaxed sectors into the tax net.

Weekly inflation up 0.16pc: The Sensitive Price Indicator (SPI)-based weekly inflation increased by 0.16 per cent during the week ended on June 11, 2026 for the combined consumption group, the Pakistan Bureau of Statistics (PBS) reported on Friday. According to PBS data, SPI for the week under review declined to 356.11 points.

Petroleum levy emerges as biggest non-tax revenue source in FY27: The government is projecting Rs1.677 trillion in collections from the petroleum levy in FY2026-27, cementing its position as the single largest contributor to non-tax revenues and highlighting the growing reliance on fuel-related charges to support the federal budget. According to budget documents, petroleum levy receipts are expected to rise from a revised estimate of Rs1.498 trillion in the outgoing fiscal year to Rs1.677 trillion in FY2025-26, accounting for nearly one-third of the government's projected Rs5.34 trillion in total non-tax revenue.

PUNJAB BUDGET 2026-27: Punjab ADP slashed 40pc to Rs752bn: The Punjab government on Tuesday unveiled a scaled-down Rs752 billion Annual Development Programme (ADP) for the next fiscal year, down about 40 per cent from last year's Rs1,240bn, after surrendering Rs749bn to the national exchequer, with social sectors receiving the largest share of development spending, followed by infrastructure and production-related sectors. The social sector leads with Rs333.66bn. Infrastructure development has been allocated Rs117.24bn, followed by the production sector with Rs103.25bn, services with Rs86.08bn, governance and law and order with Rs72.95bn, and climate with Rs38.82bn.

BUDGET 2026-27: Only half of FY26 uplift budget spent in 11 months: Amid a 17 per cent cut in allocations during the outgoing fiscal year, the government and its agencies struggled to implement the Public Sector Development Programme (PSDP), utilising only about half of the budget earmarked for public welfare projects during the first 11 months of FY26. According to the Ministry of Planning and Development, total PSDP utilisation amounted to Rs529.8bn during the first 11 months of the year, accounting for 52.4pc of the original allocation of Rs1.01 trillion. The utilisation was slightly lower than the 54pc recorded during the same period last year, when PSDP expenditure stood at Rs596bn against an allocation of Rs1.1tr.

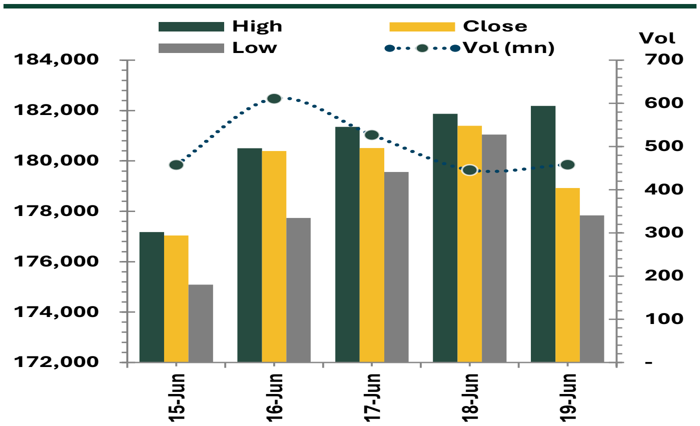
BYD moves ahead with Pakistan EV plant as govt pushes to deepen localization: Pakistan is intensifying its drive to develop a domestic electric vehicle (EV) manufacturing ecosystem as Chinese auto giant BYD Group moves ahead with plans to expand its local production facility and deepen localisation in partnership with Mega Motor Company. The development came to light during a meeting between Finance Minister Muhammad Aurangzeb and a delegation of BYD Group and Mega Motor Company (MMC) led by Liu Xueliang, Vice President of BYD Group and General Manager, BYD Asia Pacific Auto Sales Division, and Aly Khan, Chief Executive Officer, Mega Motor Company (Private) Limited, at the Finance Division on Thursday, read an official statement.

Equity Market Review

Summary

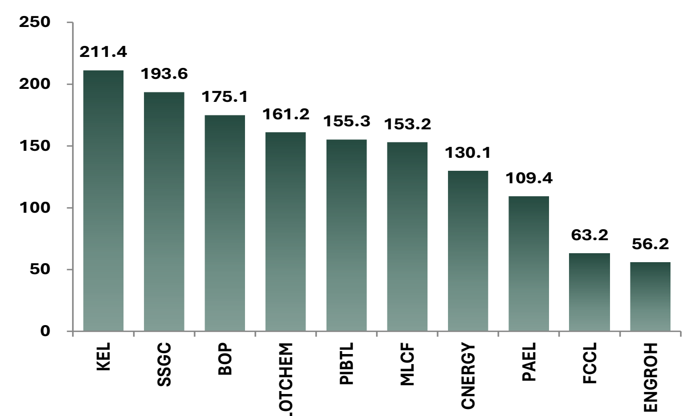
The equity market experienced a highly volatile yet strongly positive week, with sentiment largely driven by evolving geopolitical developments alongside supportive domestic macro and fiscal conditions. Overall, market tone remained constructive for most of the week, as easing Middle East tensions following progress on a US–Iran peace framework led to a sharp decline in global crude oil prices, materially improving the outlook for inflation and external account stability. This was further reinforced by the State Bank's decision to keep the monetary policy rate unchanged and a relatively growth-supportive FY27 Budget featuring targeted tax relief measures for corporates and exporters, which strengthened earnings visibility and triggered broad-based buying across key sectors. However, the final trading session saw a notable reversal as renewed regional geopolitical tensions triggered risk aversion and aggressive selling pressure, partially eroding earlier gains. Despite this late weakness, underlying participation remained firm throughout the week, supported by healthy volumes and consistent market activity. The KSE-100 Index closed the week at 178,922.75 level, registering a net gain of 6,522.85 points w/w, while average daily volumes stood at around 499.80mn shares on the KSE-100 and 1.14bn shares on the broader market.

Daily Market Performance



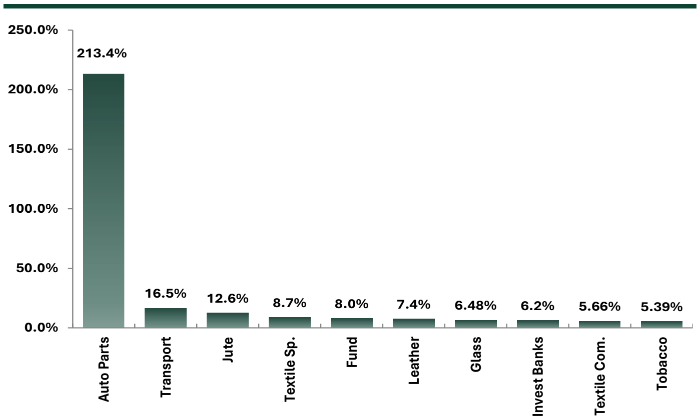
Source: PSX & HMFS Research

Top 10 Volume leaders (volumes in mn)



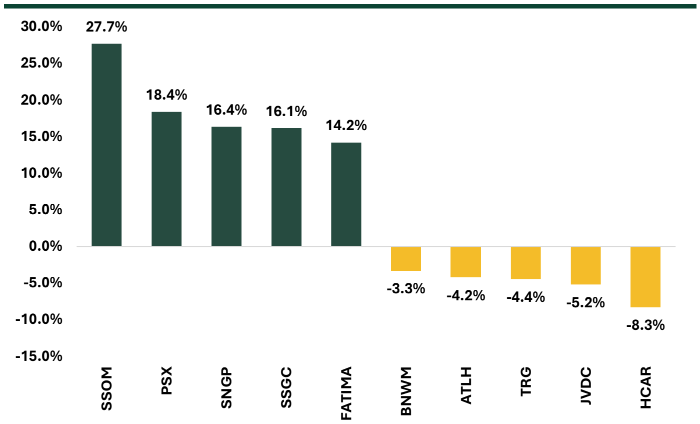
Source: PSX & HMFS Research

Sector Performance



Source: PSX & HMFS Research

Gainers & Losers (KSE-100 Index)



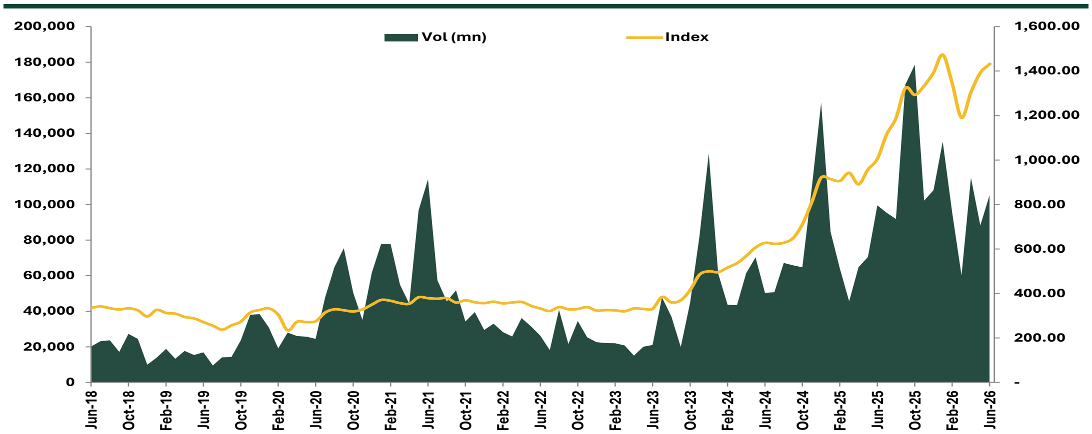
Source: PSX & HMFS Research

Equity Market Review

Outlook

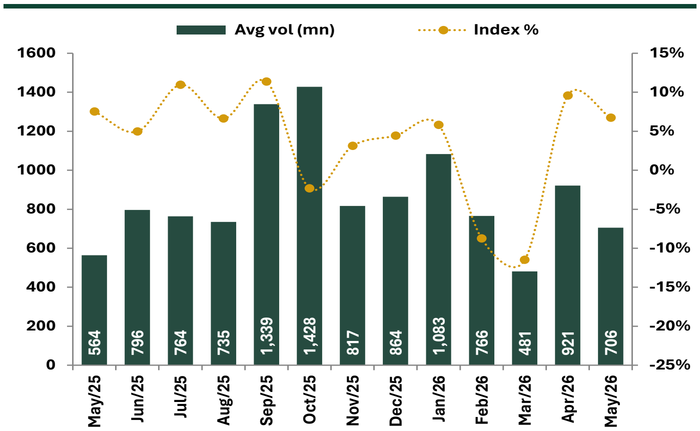
Going forward, market direction is expected to remain highly sensitive to geopolitical developments, with volatility likely to persist as investors reassess risk exposure amid evolving regional tensions. Sentiment may stay fragile in the near term, with any further escalation in the Middle East likely to weigh on equities, particularly in risk-sensitive sectors. That said, intermittent recovery attempts cannot be ruled out, as bargain hunting may emerge at lower levels in fundamentally strong stocks offering stable earnings visibility and attractive valuations. Investors are expected to maintain a cautious, stock-specific approach — prioritizing defensive positioning while selectively accumulating quality names on dips.

Index Performance



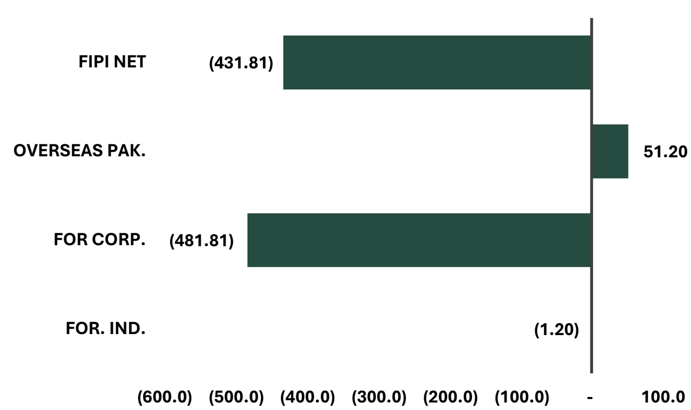
Source: PSX & HMFS Research

MoM Index gain vs Average Volume



Source: PSX & HMFS Research

FIPI (CYTD in USD mn)



Source: NCCPL & HMFS Research

Money Market Review

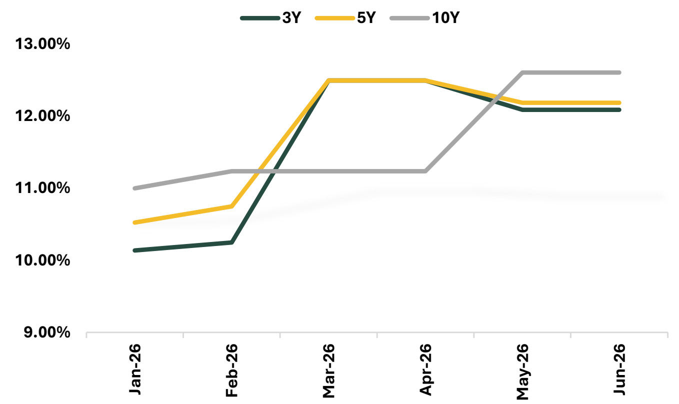
Summary

During the week, the State Bank of Pakistan (SBP) conducted a Pakistan Investment Bonds (PIBs) auction, raising PKR 648.5bn against a target of PKR 50bn, reflecting strong demand for longer-tenor instruments. Cut-off yields declined across the 2-, 3-, 5-, and 10-year tenors, with an average decrease of ~20bps across the yield curve, indicating improved investor participation and easing rate expectations. On the liquidity front, SBP injected PKR 3.1tn through Open Market Operations (OMO) via reverse repo to support system liquidity and maintain stability in short-term funding conditions. No Market Treasury Bill (MTB) auction was held during the week. Meanwhile, the Monetary Policy Committee (MPC) maintained the policy rate at 11.5%, opting for a status quo stance.

Outlook

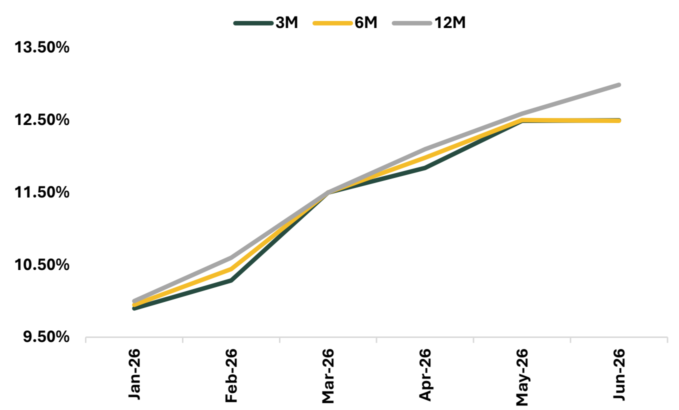
The money market outlook remains broadly positive, supported by the recent decline in PIB cut-off yields and the SBP's decision to maintain policy stability. The moderation in long-term yields suggests improving market confidence and expectations of a more stable interest rate environment. Meanwhile, easing geopolitical tensions following the progress in U.S.-Iran peace negotiations could help reduce external inflationary pressures and improve economic sentiment. Going forward, market participants will closely monitor the upcoming MTB auction on June 23 and PIB auction on July 02 for further direction on liquidity conditions and yield expectations.

PIB Yields



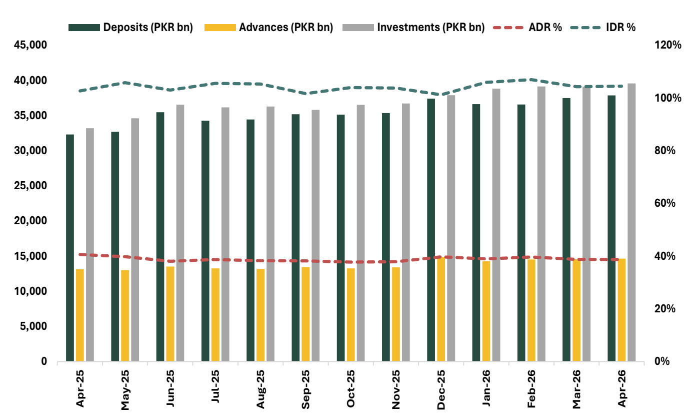
Source: SBP & HMFS Research

T-Bill Yields



Source: SBP & HMFS Research

Bank's ADR & IDR



Source: SBP & HMFS Research

Forex Market Review

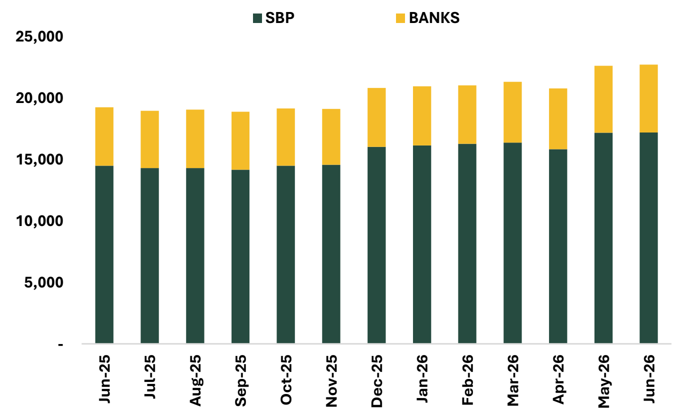
Summary

According to the latest available data for the week ended June 12, 2026, foreign exchange reserves held by the State Bank of Pakistan (SBP) increased by USD 6mn w/w to USD 17.22bn. Meanwhile, the country's total liquid reserves rose by USD 70mn w/w to USD 22.74bn, primarily supported by an increase in commercial bank reserves, which reached USD 5.52bn. In the interbank market, the PKR remained broadly stable, closing the week at PKR 278.25/USD, reflecting limited volatility throughout the period.

Outlook

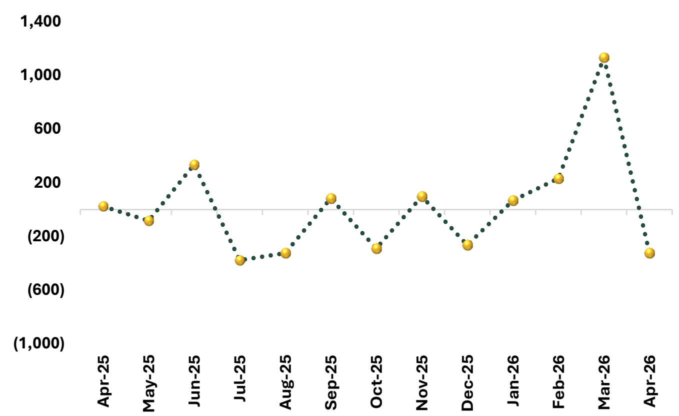
The forex outlook remains broadly positive, supported by improving external conditions. Expectations of the reopening of the Strait of Hormuz, normalization of regional trade routes, and easing global oil prices are likely to reduce pressure on Pakistan's import bill and support reserve accumulation. Additionally, the extension of the current tax regime on foreign exchange earnings provides continued policy stability for IT exporters and freelancers, supporting sustained inflows through improved earnings retention and long-term visibility. Nevertheless, any setbacks in ongoing peace negotiations or a resurgence of geopolitical tensions could adversely impact trade activity and external sector stability. Against this backdrop, the PKR/USD parity is expected to remain largely stable, with fluctuations contained within a range of approximately 0.5%.

Foreign Exchange Reserves (USD bn)



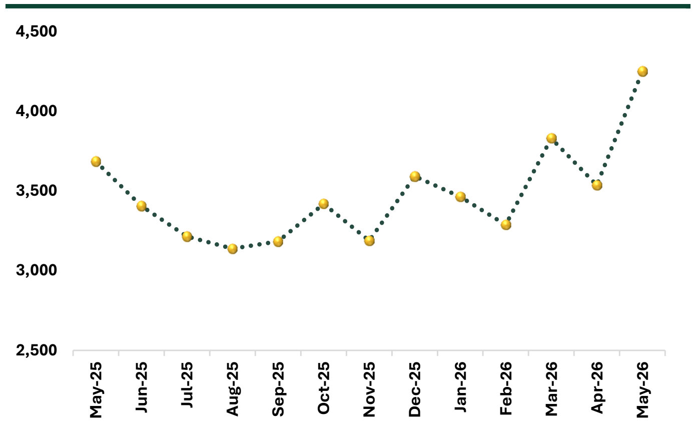
Source: SBP & HMFS Research

Current Account Balance (USD mn)



Source: SBP & HMFS Research

Remittances (USD mn)



Source: SBP & HMFS Research

Key Economic Indicators

Item	Units	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	%M/M	CY25	CY24	%Y/Y
Banking Indicators											
Return on Outstanding Loans	%	11.05%	10.79%	10.45%	10.59%	10.63%	10.91%	0.26%	11.74%	17.03%	-5.30%
Return on Deposits	%	5.38%	5.18%	4.94%	4.97%	5.01%	5.35%	0.20%	5.54%	10.77%	-5.23%
Interest rate Spread	%	5.67%	5.61%	5.51%	5.62%	5.62%	5.56%	0.06%	6.20%	6.26%	-0.06%
Deposits	(PKR bn)	-	37,881	37,505	36,586	36,642	37,431	1.00%	37,431	30,283	23.60%
Advances	(PKR bn)	-	14,669	14,555	14,534	14,291	14,880	0.78%	14,880	16,009	-7.05%
Investments	(PKR bn)	-	39,592	39,127	39,156	38,839	37,910	1.19%	37,910	29,129	30.14%
ADR	%	-	38.72%	38.81%	39.73%	39.00%	39.75%	-0.08%	39.75%	52.87%	-13.11%
IDR	%	-	104.52%	104.32%	107.02%	105.99%	101.28%	0.19%	101.28%	96.19%	5.09%
Kibor (Ask Side)											
3-Month	%	11.99%	11.45%	11.03%	10.53%	10.39%	10.85%	0.54%	11.40%	18.81%	-7.41%
6-Month	%	12.22%	11.60%	11.12%	10.55%	10.39%	10.89%	0.62%	11.39%	18.58%	-7.19%
9-Month	%	12.56%	12.00%	11.50%	10.79%	10.62%	11.15%	0.56%	11.61%	18.50%	-6.89%
1-Year	%	12.60%	12.04%	11.57%	10.80%	10.61%	11.16%	0.56%	11.61%	18.21%	-6.60%
Avg. Exchange Rates											
USD	PKR	278.63	278.95	279.30	279.62	279.95	280.29	-0.12%	281.15	278.53	0.94%
Euro	PKR	325.47	326.04	322.83	330.91	328.56	328.43	-0.18%	317.82	301.36	5.46%
JPY	PKR	1.76	1.75	1.76	1.80	1.79	1.80	0.74%	1.8811	1.8410	2.18%
GBP	PKR	375.86	374.78	372.54	380.06	378.54	375.40	0.29%	370.72	355.94	4.15%
CNY	PKR	40.97	40.79	40.51	40.49	40.17	39.81	0.45%	39.11	38.70	1.07%

Item	Units	May-26	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	%M/M	FY25	FY24	%Y/Y
Inflation											
Avg. CPI	%	6.69%	6.19%	5.67%	5.46%	5.24%	5.10%	0.50%	4.49%	23.41%	-18.92%
Avg. NFNE	%	9.00%	8.00%	7.40%	7.10%	7.20%	6.90%	1.00%	6.90%	12.20%	-5.30%
Commodities											
Arab Light (Avg.)	USD/bbl	115.27	114.07	102.99	67.67	62.88	62.82	1.05%	74.89	86.22	-13.14%
External Sector (FY USD mn)											
Total Imports	(USD Mn)	5,287	6,731	5,103	5,290	5,805	6,081	-21.45%	58,387	54,937	6.28%
Total Exports	(USD Mn)	2,705	2,468	2,264	2,276	3,055	2,268	9.60%	32,039	30,684	4.42%
Trade Balance	(USD Mn)	(2,582)	(4,263)	(2,839)	(3,014)	(2,750)	(3,813)	39.43%	(26,348)	(24,253)	-8.64%
Current Account Balance	(USD Mn)	-	(324)	1,134	231	68	(265)	-128.57%	328	(313)	204.79%
Remittances	(USD Mn)	4,251	3,537	3,831	3,288	3,464	3,592	20.20%	38,300	30,251	26.61%
Oil Import Bill	(USD Mn)	1,719.75	1,790.86	983.01	1,199.40	1,186.10	1,183.09	-3.97%	15,003.59	15,161.83	-1.04%

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

Note: % change is of last available month *N/M: Not Meaningful

Valuation Guide

	Symbol	Period End	Stance	Current Price	Fair Value	FV Return	M. Cap	EPS			DPS			DY		P/E		P/B		ROE		Total Yield
							PKR	2025 A	2026 E	2027 F	2025 A	2026 E	2027 F	2026 E	2027 F	2026 E	2027 F	2026 E	2027 F	2026 E	2027 F	CY-26/ FY-26
							Trn	PKR	PKR	PKR	PKR	PKR	PKR	%	%	x	x	x	x	%	%	%
1	**FFC**	Dec	**BUY**	560.7	735.0	31%	806.9	51.7	50.3	53.8	37.0	43.0	46.0	8%	8%	11.2	10.4	4.9	4.6	44%	44%	39%
2	**EFERT**	Dec	**BUY**	200.1	255.0	27%	267.2	17.0	22.5	25.7	15.0	22.0	25.0	11%	12%	8.9	7.8	5.3	5.2	59%	66%	38%
3	**INDU**	Jun	**BUY**	2064.0	3267.0	58%	162.2	292.7	400.1	414.7	176.0	242.0	253.0	12%	12%	5.2	5.0	1.8	1.6	34%	31%	70%
4	**HCAR**	Mar	**HOLD**	247.8	232.0	-6%	35.4	19.0	20.5	23.0	8.0	8.5	9.5	3%	4%	12.1	10.8	1.4	1.3	12%	12%	-3%
5	**HBL**	Dec	**BUY**	298.4	372.0	25%	437.7	45.5	43.2	48.5	20.0	18.0	18.0	6%	6%	6.9	6.2	0.8	0.8	12%	13%	31%
6	**MCB**	Dec	**BUY**	402.9	476.0	18%	477.5	49.3	44.5	53.1	36.0	36.0	36.0	9%	9%	9.1	7.6	1.8	1.7	20%	22%	27%
7	**UBL**	Dec	**BUY**	438.2	514.0	17%	1,097.3	52.1	60.5	55.2	29.5	33.0	33.0	8%	8%	7.2	7.9	1.3	1.2	18%	16%	25%
8	**BAHL**	Dec	**BUY**	173.4	228.0	32%	192.7	29.2	31.0	31.0	15.0	15.0	15.0	9%	9%	5.6	5.6	1.1	1.0	19%	17%	40%
9	**ABL**	Dec	**BUY**	186.2	254.0	36%	213.2	31.7	45.4	33.4	16.0	17.5	18.0	9%	10%	4.1	5.6	0.9	0.8	22%	15%	46%
10	**MEBL**	Dec	**BUY**	513.0	565.0	10%	923.6	50.2	52.5	54.2	28.0	27.0	28.0	5%	5%	9.8	9.5	2.8	2.4	28%	26%	15%
11	**MUGHAL**	Jun	**BUY**	84.2	106.0	26%	28.3	2.8	7.2	8.4	0.0	0.0	1.5	0%	2%	11.7	10.0	1.0	0.9	8%	9%	26%
12	**ISL**	Jun	**BUY**	89.0	148.0	66%	38.7	3.6	7.2	9.5	2.5	4.0	8.0	4%	9%	12.4	9.4	1.8	1.7	14%	18%	71%
13	**OGDC**	Jun	**BUY**	331.3	427.0	29%	1,424.8	39.5	34.9	38.2	15.1	18.0	20.0	5%	6%	9.5	8.7	1.0	0.9	10%	11%	34%
14	**PPL**	Jun	**BUY**	241.9	350.0	45%	658.3	33.8	29.7	35.1	7.5	8.0	10.0	3%	4%	8.1	6.9	0.9	0.8	10%	11%	48%
15	**POL**	Jun	**BUY**	693.8	897.0	29%	196.9	85.2	82.4	89.0	75.0	90.0	92.0	13%	13%	8.4	7.8	2.3	2.3	28%	30%	42%
16	**LUCK**	Jun	**BUY**	463.0	566.0	22%	678.3	52.5	62.1	77.9	4.0	6.5	15.0	1%	3%	7.5	5.9	0.8	0.7	10%	12%	24%
17	**FCCL**	Jun	**BUY**	56.9	71.0	25%	139.6	5.4	6.5	7.7	1.3	1.5	2.5	3%	4%	8.8	7.4	1.5	1.3	18%	18%	27%
18	**MLCF**	Jun	**BUY**	100.5	146.0	45%	105.3	16.3	12.8	22.5	0.0	0.0	0.0	0%	0%	7.9	4.5	1.6	1.2	21%	27%	45%
19	**NML**	Jun	**HOLD**	156.4	175.0	12%	55.0	17.1	15.5	18.6	2.0	3.0	3.0	2%	2%	10.1	8.4	0.4	0.4	4%	5%	14%
20	**ILP**	Jun	**BUY**	94.3	128.0	36%	132.1	3.8	9.2	8.5	1.0	4.0	6.0	4%	6%	10.2	11.1	1.5	1.5	15%	13%	40%
21	**GATM**	Jun	**HOLD**	29.0	25.0	-14%	21.5	5.4	0.5	0.98	0.0	0.0	0.0	0%	0%	58.0	29.6	0.4	0.4	1%	1%	-14%
HMFS Universe						**27%**	**8,092.6**							**6%**	**6%**	**11.1**	**8.9**	**1.7**	**1.6**	**18%**	**20%**	**33%**

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

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

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HMFS RATING GUIDE	
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HOLD	Between 15% Upside & 15% Downside
SELL	More than 15% Downside

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