REP-110

HABIBMETRO
Financial Services

WEEKLY REPORT

PRECARIOUS STABILITY

DATE:

Thursday, March 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:

Twin Dynamics: Improving Balances vs Rising Cost Pressures

Pakistan's macroeconomic trajectory is showing early signs of stabilization, with the external account turning supportive after months of pressure. The current account posted a surplus of USD 479mn in February, marking the second consecutive monthly surplus and a clear reversal from the deficit recorded in December—signaling improving external balance dynamics. However, the sustainability of this trend remains contingent on the quality of inflows. While foreign direct investment (FDI) rose to USD 213.5mn in February (vs. USD 132.7mn SPLY), the broader trend still reflects caution amid geopolitical uncertainty, particularly stemming from Middle East tensions. On the external trade front, the services deficit narrowed sharply to USD 99mn in February (-63.2% m/m, -61.5% y/y), driven by a 16.7% y/y increase in exports to USD 811mn, although exports declined 7.7% m/m—indicating some near-term moderation despite a strong annual trend. Domestic indicators continue to strengthen, with auto financing rising to PKR 336.6bn in February (+2.6% m/m, +35.3% y/y), reflecting improving consumer demand. Meanwhile, large-scale manufacturing (LSM) growth remains solid, with output expanding to 5.75% y/y in 7MFY26, supported by key sectors including automobiles, cement, and food. Despite these positives, risks are building on the energy front. Authorities have proposed a PKR 1.64/unit increase in power tariffs (from PKR 6.73 to PKR 8.37), which could raise electricity bills from April. More critically, while Pakistan holds 27 days of petrol and 21 days of HSD reserves, the heavy reliance on Middle Eastern imports (around 70%) amid ongoing supply disruptions is already pushing fuel prices upward—highlighting a disconnect between adequate short-term availability and rising cost pressures. While food security remains intact with sufficient domestic stocks and export potential, the evolving mix of improving external balances and rising energy costs will be key in shaping the near-term economic outlook.

Pakistan Breaks Shipping Gridlock with Landmark Hormuz Transit

Pakistan's trade and energy supply chain has come under sharp focus as escalating Middle East tensions disrupt global shipping routes and raise freight costs. Shipping lines, including Maersk, have imposed Emergency Contingency Surcharges (ECS) effective April 1, increasing export costs and weakening competitiveness for Pakistani exporters already navigating a fragile external environment. At the center of the crisis lies the Strait of Hormuz—handling nearly 20% of global oil flows (~20mn barrels/day)—which has effectively turned into a high-risk corridor following attacks on vessels. This has not only pushed global energy prices higher but also created significant uncertainty for countries who are heavily

Major Events

reliant on imported fuel. Amid this disruption, Pakistan executed a strategic breakthrough through its state-owned Pakistan National Shipping Corporation (PNSC). Its Aframax tanker, MT Karachi, loaded crude oil at Das Island (Abu Dhabi) and successfully transited the Strait around March 15, becoming the first non-Iranian commercial vessel to navigate the route after the escalation. The vessel, carrying 80mn litres of crude oil, entered Pakistan's maritime zone via the Gulf of Oman to berth at Karachi port. Notably, the transit was made possible through special permission from Iranian authorities, with the vessel utilizing Iranian territorial waters—highlighting the geopolitical sensitivity of the route. Even more significant was the settlement of payment in Chinese yuan, aligning with Iran's emerging stance of shifting away from dollar-based oil trade. While this ensured continuity in Pakistan's energy supply under extreme conditions, it also reflects a broader shift in trade dynamics, where shipping routes, currency settlements, and geopolitical alignments are increasingly intertwined. Going forward, while such measures provide short-term relief, sustained disruptions in shipping logistics and rising freight costs could amplify external sector risks and inflationary pressures.

5% Fix: Housing Finance Revamp Signals Construction Upswing

Pakistan's housing sector has received a significant policy push, with the government expanding its affordable housing finance framework to revive mortgage penetration and stimulate construction-led growth. The revised scheme introduces a uniform 5% markup, replacing the earlier tiered structure, while also retrospectively adjusting previously disbursed higher-rate loans—enhancing affordability and policy consistency. In a major scale-up, the maximum loan size has been increased to PKR 10mn (from PKR 2–3.5mn earlier), alongside an expansion in eligible housing size to 10 marla units and 1,500 sq. ft. apartments, effectively widening access for middle-income households. The scheme maintains a favorable 90:10 loan-to-value ratio, long tenors, and risk-sharing support for banks, ensuring credit flow while containing financial sector risk. Importantly, the government has committed substantial fiscal backing, including PKR 321.96bn in subsidies, to support early-phase rollout and sustain uptake. From a macro perspective, the initiative targets 500,000 housing units over four years, positioning construction as a key growth driver with strong spillover effects across cement, steel, and allied industries. While the policy direction is clearly expansionary and growth-supportive, execution remains critical—particularly in ensuring effective credit transmission and demand uptake in a high-rate environment. Overall, the move signals a strategic shift toward deepening Pakistan's mortgage market, with the potential to simultaneously address housing shortages and catalyze broader economic activity.

Other News

Gulf states: PM Shehbaz for plan to export surplus food items: Chairing a meeting to review the country's food situation and the export of surplus food items in light of the changing regional situation, the prime minister was briefed that Pakistan currently had sufficient stocks of food commodities and there was no shortage of any essential item in the country.

Shipping lines charge war risk and conflict surcharges: Capitalising on regional geopolitical tensions, the shipping lines have allegedly started collecting 'War Risk and Emergency Conflict Surcharges (ECS)' even on shipments that had already departed or were already in transit before the escalation of hostilities on February 28, 2026.

No let-up in ME tensions: RLNG supply crunch hits power sector hard: As the Middle East conflict enters its third week, Pakistan's supply of Re-gasified Liquefied Natural Gas (RLNG) to power plants has dropped sharply after Qatar reportedly suspended LNG production following attacks on its gas fields. Official sources said the power sector's current RLNG requirement is around 300 MMCFD, while the allocation from Sui Northern Gas Pipelines Limited (SNGPL) stands at about 130 MMCFD.

Arif Habib, Power Cement to join KSE-100 from April 1: The Pakistan Stock Exchange (PSX) has completed the re-composition of the KSE-100 Index and KSE-100 Price Return Index for the review period September 2025 to February 2026. This review resulted in the inclusion of two companies and the removal of two others. According to the exchange, Arif Habib Corporation Limited and Power Cement Limited will enter the benchmark index, while Unity Foods Limited and Pakgen Power Limited will be removed.

Auto financing in Pakistan rises to Rs337bn in Feb 2026: Automobile financing in Pakistan has increased to Rs336.61bn in February 2026, witnessing a rise of 2.62% MoM compared to Rs328bn recorded in January 2026, according to the latest data released by the central bank. On a year on year basis, car financing increased by 35.28%, as in the same period last year, the figure for financing was reported at Rs248.82bn.

PIA: Govt likely to fetch Rs45bn thru sale of remaining 25pc shares: The government is likely to fetch around PKR 45 billion through the sale of PIA's remaining 25 percent shares, which would increase the total sales proceeds of PIA to approximately PKR 55 billion. Secretary Privatisation Commission Usman Akhtar Bajwa stated this during a meeting of the Senate Standing Committee on Privatisation, held under the chairmanship of Senator Dr Afnanullah Khan.

Moscow ready to supply discounted oil to Pakistan: envoy: Russia Ambassador to Pakistan, Albert Khorev, on Tuesday said that Moscow is ready to supply discounted oil to Pakistan, urging Islamabad to take advantage of the opportunity. He added that Russia would sell discounted oil to Pakistan if Islamabad formally approached his government on the matter.

MoU to boost freelancing sector: The Pakistan Freelancers Association (PAFLA) and SI Global Solutions have signed a memorandum of understanding (MoU) to strengthen the country's growing freelancing ecosystem through joint initiatives. The agreement, signed by PAFLA Chairperson Ibrahim Amin and SI Global Solutions CEO Dr Noman A Said, focuses on training workshops, mentorship programmes, industry linkages and awareness campaigns to promote freelancing as a sustainable career.

Other News

Govt urged to take action for cotton revival: The Agriculture Republic, a think tank working to reflect on issues faced by the agricultural economy and propose remedies, appreciated the Punjab's cotton cultivation campaign as a positive step and called that it must be complemented by the decisive federal action.

Pakistan, Afghanistan announce pause in fighting for Eid: Taliban regime sheltering terrorists in govt facilities: ISPR: As Pakistan and Afghanistan said Wednesday they were pausing their military operations against each other for Eidul Fitr, Pakistani's military spokesperson Lt Gen Ahmed Sharif Chaudhry said that militant elements were being harboured in government facilities in Afghanistan under Taliban patronage.

ADB unveils $10bn five-year financing plan: The Asian Development Bank (ADB) is expected to extend about $10 billion in financing to Pakistan over the next five years under its Country Partnership Strategy 2026-30 (CPS 2026-30), launched on Wednesday. The CPS sets out "a roadmap to support the country's transition to sustainable and inclusive growth through private sector-led development," the Manila-based lending agency said.

Standardising taxes in construction sector: Prime Minister Shehbaz Sharif was informed on Wednesday that discussions between Federal Board of Revenue (FBR) and provincial authorities on standardising taxes in the construction sector are ongoing, while consultations on draft reforms for home mortgages continue.

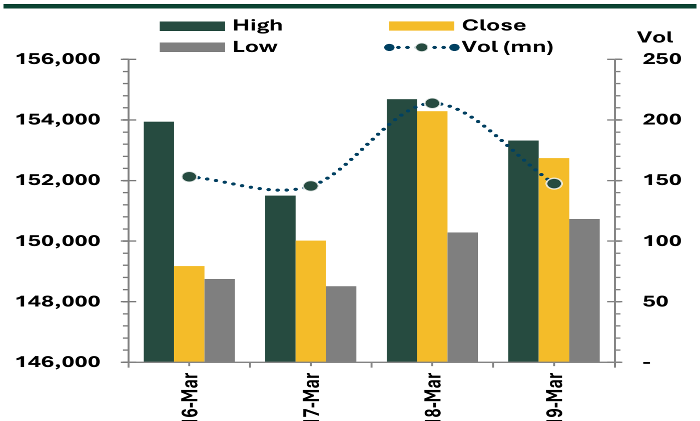
SECP opens capital markets to partnership businesses: The Securities and Exchange Commission of Pakistan (SECP) has proposed amendments to the Public Offering Regulations, 2017 that would allow partnerships, Associations of Persons (AoPs) and Limited Liability Partnerships (LLPs) to access capital markets for the first time.

Equity Market Review

Summary

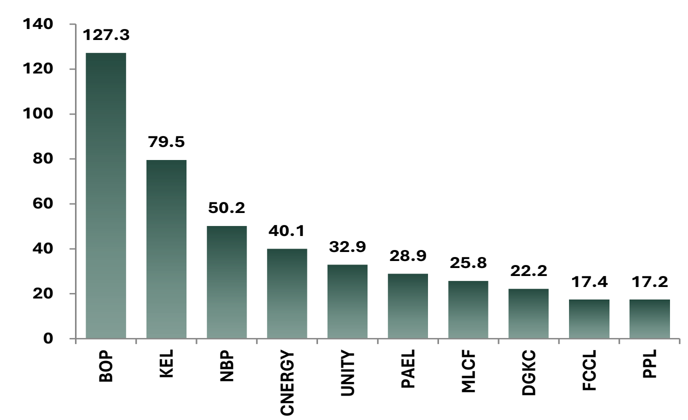
Sentiment at the Pakistan Stock Exchange remained fragile through the week, as a confluence of geopolitical uncertainty and domestic macro concerns kept investors on edge. Monday set a bearish tone, with the KSE-100 shedding ~3.05% as the US-Iran conflict — now in its third week — continued to stoke fears around Pakistan's import bill, inflationary pressures, and current account trajectory, prompting broad-based institutional selling. Tuesday brought little relief, with the index briefly trading in green, before surrendering gains and closing only marginally positive; the session was largely characterised by indecision, as elevated oil prices kept the policy rate outlook uncertain and participation thin. A positive shift came on Wednesday, when cues of easing geopolitical tensions rekindled buying interest, however the recovery was short-lived as the conflict deepened. The week ended with broader sentiment remaining cautious and reactive to news flow, with the KSE-100 closing the week at 152,740.37, shedding 1,125.79 points w/w, as average daily volumes settled at ~164.99xxmn shares on the KSE-100 and ~315.94mn shares across the broader market.

Daily Market Performance



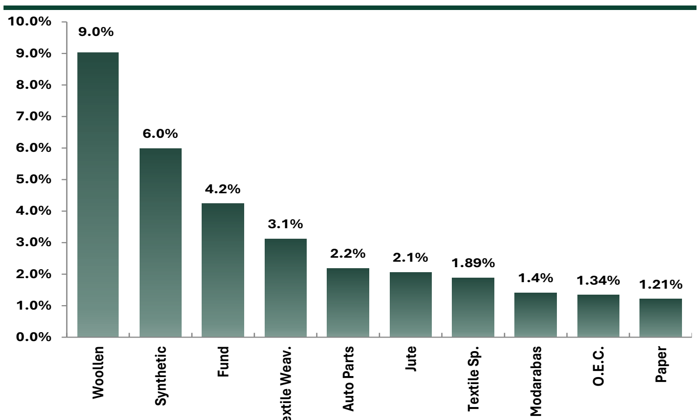
Source: PSX & HMFS Research

Top 10 Volume leaders (volumes in mn)



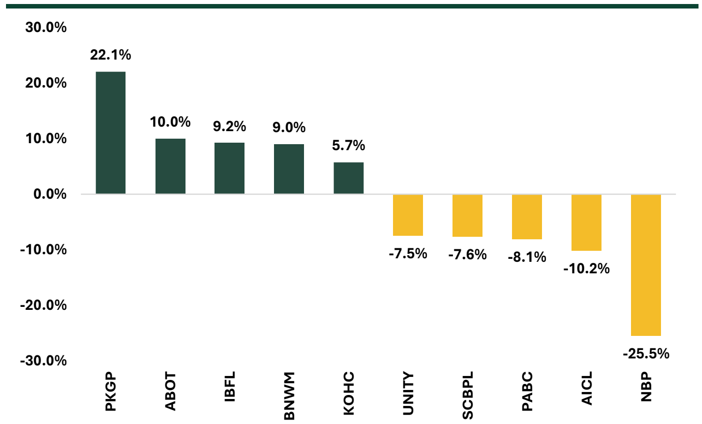
Source: PSX & HMFS Research

Sector Performance



Source: PSX & HMFS Research

Gainers & Losers (KSE-100 Index)



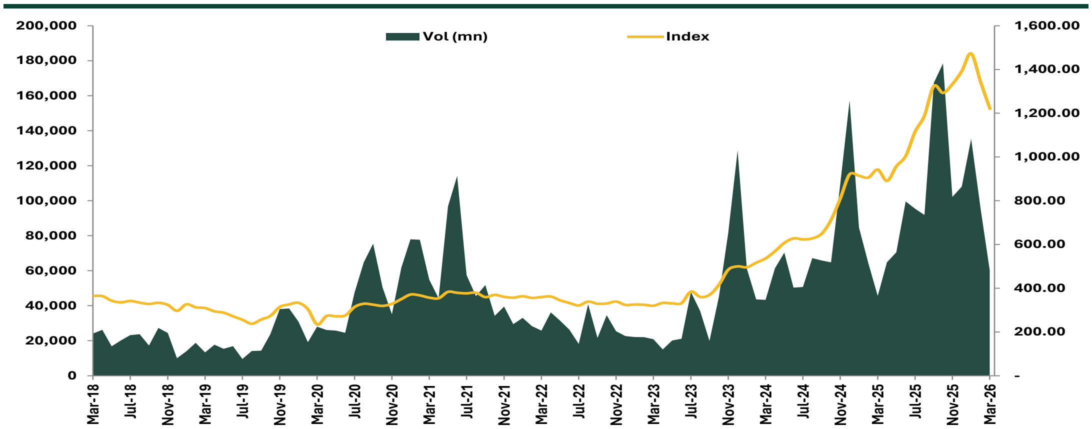
Source: PSX & HMFS Research

Equity Market Review

Outlook

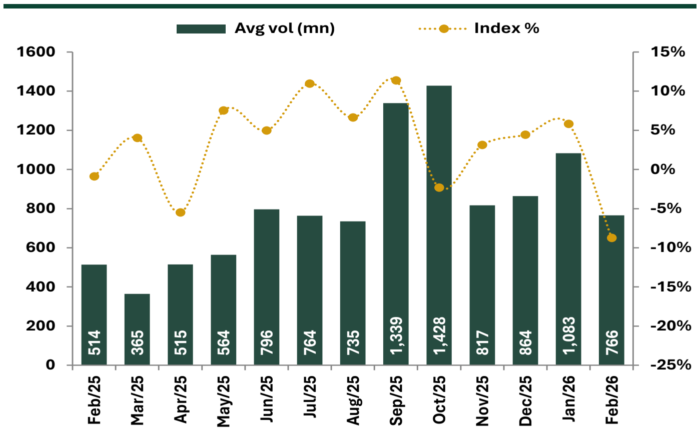
Near-term market direction will remain anchored to the evolving US-Iran dynamics. On a cautiously positive note, Iran's Foreign Minister indicated that vessels from countries not involved in the conflict are being permitted to transit the Strait of Hormuz with military coordination, which bodes relatively well for Pakistan's energy import continuity. That said, Brent crude remains above USD 100 per barrel, having surged roughly 40% since the onset of the conflict, and sustained elevated oil prices continue to pose meaningful risks to Pakistan's fiscal position and inflationary outlook. Any further easing in crude oil prices or credible moves toward de-escalation would serve as a constructive catalyst for risk appetite. Domestically, investor focus will remain on the trajectory of the SBP's monetary policy stance and progress on the IMF EFF review. Absent a decisive shift on either front, the market is expected to remain range-bound and stock-specific, with preference skewed toward fundamentally sound scrips offering earnings resilience and sustainable dividend yields.

Index Performance



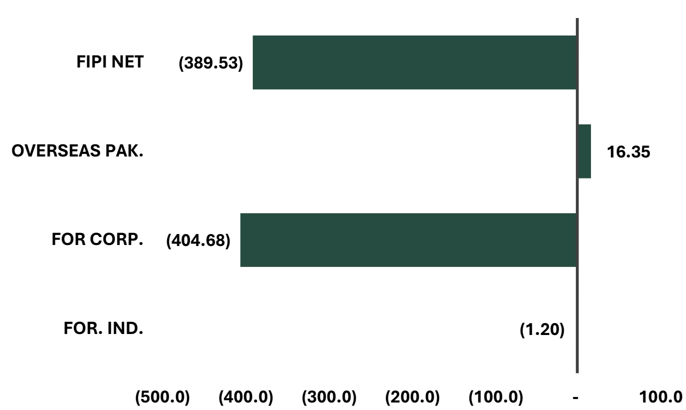
Source: PSX & HMFS Research

MoM Index gain vs Average Volume



Source: PSX & HMFS Research

FIPI (CYTD in USD mn)



Source: NCCPL & HMFS Research

Money Market Review

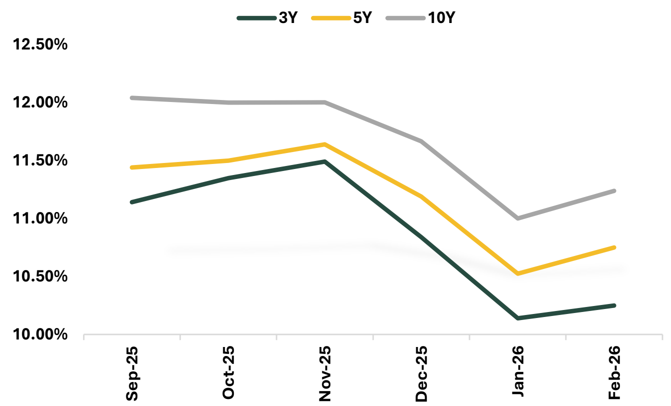
Summary

During the week, the government raised over PKR 1tn through the Market Treasury Bills (MTB) auction. Cut-off yields across the 3-, 6-, and 12-month tenors converged around ~11.5%, with the 3-month tenor rising by 100bps, indicating a sharp upward adjustment in short-term rates. No auction for Pakistan Investment Bonds (PIBs) was conducted during the week. Meanwhile, the State Bank of Pakistan (SBP) injected PKR 298.2bn through a reverse repo–based Open Market Operation (OMO) to maintain liquidity conditions.

Outlook

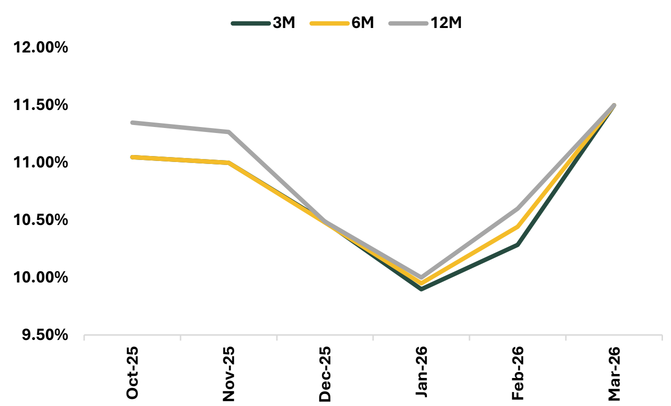
The money market outlook has turned relatively cautious amid rising geopolitical tensions and an uptick in global crude oil prices, which are likely to translate into higher domestic fuel costs and inflationary pressures. The sharp increase in cut-off yields in the recent auction reflects this shift in expectations and signals a tightening bias in rates. Going forward, market direction will be guided by March inflation readings and outcomes of the upcoming auctions—PIBs on March 26 (target: PKR 400bn) and MTBs on April 1 (target: PKR 400bn). These factors will be critical ahead of the MPC meeting scheduled for April 27, 2026, where the SBP may adopt a cautious stance. Persistently elevated yields could limit the scope for easing and, if inflationary pressures intensify, may create room for a potential upward adjustment despite the target of a single digit policy rate by FY26.

PIB Yields



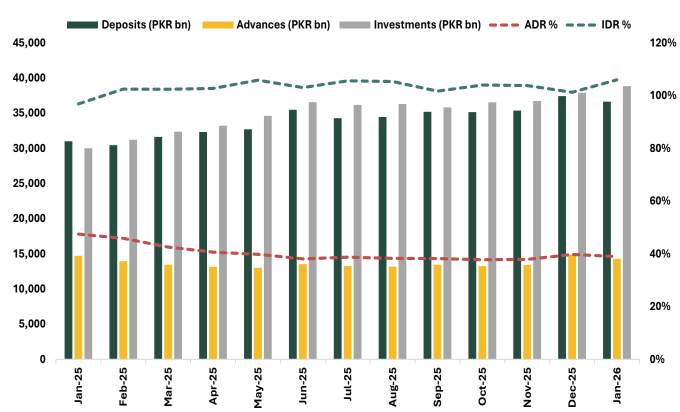
Source: SBP & HMFS Research

T-Bill Yields



Source: SBP & HMFS Research

Bank's ADR & IDR



Source: SBP & HMFS Research

Forex Market Review

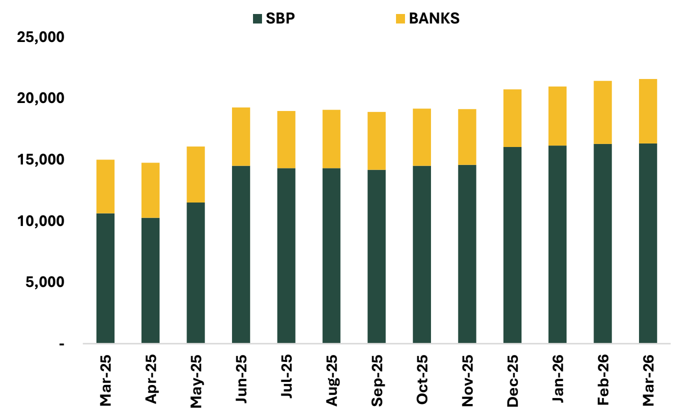
Summary

Pakistan's total liquid foreign exchange reserves increased to USD 21.60bn as of March 6, 2026, reflecting a w/w rise of USD 164.4mn. Reserves held by the State Bank of Pakistan (SBP) grew by USD 41.1mn w/w to USD 16.34bn, while net foreign reserves of commercial banks recorded a strong increase of USD 123.3mn w/w to USD 5.26bn. This represents the latest available SBP data, as no new reserves data was released during the current week. Meanwhile, the PKR/USD exchange rate remained largely stable, closing slightly stronger at PKR 279.26.

Outlook

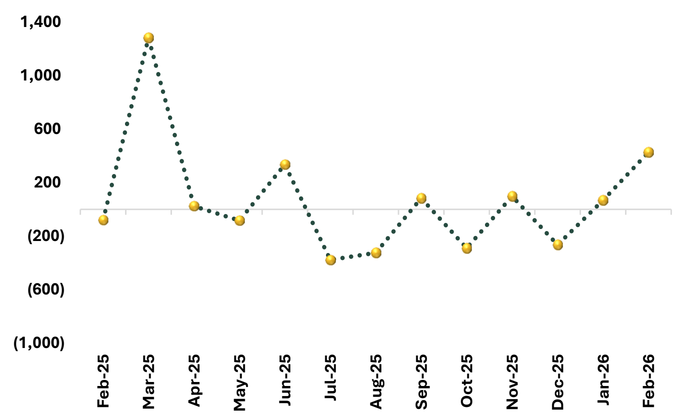
The forex outlook for the near term remains cautious, primarily driven by rising global crude oil prices amid ongoing Middle East tensions, which are expected to elevate Pakistan's import bill and exert pressure on forex reserves. Additionally, disruptions in regional trade routes and the imposition of war-risk surcharges on cargo shipments may weigh on export flows, further straining the external account. On the supportive side, seasonal inflows during Ramzan and Eid are likely to boost remittances, providing some cushion to reserves. However, external risks are expected to persist until geopolitical conditions stabilize. In this environment, the PKR/USD parity is projected to remain broadly stable, with fluctuations contained within a range of up to ~0.5%.

Foreign Exchange Reserves (USD bn)



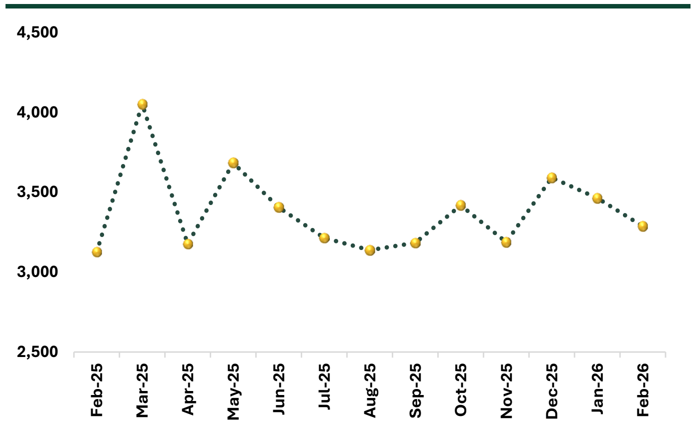
Source: SBP & HMFS Research

Current Account Balance (USD mn)



Source: SBP & HMFS Research

Remittances (USD mn)



Source: SBP & HMFS Research

Key Economic Indicators

Item	Units	Feb-26	Jan-26	Dec-25	Nov-25	Oct-25	Sep-25	%M/M	CY25	CY24	%Y/Y
Banking Indicators											
Return on Outstanding Loans	%	10.59%	10.63%	10.91%	11.15%	11.25%	11.24%	-0.04%	11.74%	17.03%	-5.30%
Return on Deposits	%	4.97%	5.01%	5.35%	5.23%	5.23%	5.20%	-0.04%	5.54%	10.77%	-5.23%
Interest rate Spread	%	5.62%	5.62%	5.56%	5.92%	6.02%	6.04%	0.00%	6.20%	6.26%	-0.06%
Deposits	(PKR bn)	-	36,642	37,431	35,380	35,149	35,211	-2.11%	37,431	30,283	23.60%
Advances	(PKR bn)	-	14,291	14,880	13,421	13,279	13,456	-3.96%	14,880	16,009	-7.05%
Investments	(PKR bn)	-	38,839	37,910	36,732	36,547	35,816	2.45%	37,910	29,129	30.14%
ADR	%	0.00%	39.00%	39.75%	37.93%	37.78%	38.22%	-0.75%	39.75%	52.87%	-13.11%
IDR	%	0.00%	105.99%	101.28%	103.82%	103.98%	101.72%	4.71%	101.28%	96.19%	5.09%
Kibor (Ask Side)											
3-Month	%	10.53%	10.39%	10.85%	11.16%	11.16%	11.05%	0.14%	11.40%	18.81%	-7.41%
6-Month	%	10.55%	10.39%	10.89%	11.19%	11.18%	11.05%	0.15%	11.39%	18.58%	-7.19%
9-Month	%	10.79%	10.62%	11.15%	11.44%	11.39%	11.27%	0.17%	11.61%	18.50%	-6.89%
1-Year	%	10.80%	10.61%	11.16%	11.47%	11.40%	11.28%	0.19%	11.61%	18.21%	-6.60%
Avg. Exchange Rates											
USD		279.62	279.95	280.29	280.71	281.11	281.53	-0.12%	281.15	278.53	0.94%
Euro		330.91	328.56	328.43	324.52	327.24	330.31	0.71%	317.82	301.36	5.46%
JPY		1.80	1.79	1.80	1.81	1.86	1.90	1.08%	1.8811	1.8410	2.18%
GBP		380.06	378.54	375.40	368.67	375.43	380.11	0.40%	370.72	355.94	4.15%
CNY		40.49	40.17	39.81	39.49	39.48	39.51	0.78%	39.11	38.70	1.07%

Item	Units	Feb-26	Jan-26	Dec-25	Nov-25	Oct-25	Sep-25	%M/M	FY25	FY24	%Y/Y
Inflation											
Avg. CPI	%	5.46%	5.24%	5.10%	5.01%	4.73%	4.22%	0.22%	4.49%	23.41%	-18.92%
Avg. NFNE	%	7.10%	7.20%	6.90%	6.60%	7.50%	7.00%	-0.10%	6.90%	12.20%	-5.30%
Commodities											
Arab Light (Avg.)	USD/bbl	67.67	62.88	62.82	65.62	66.82	71.31	7.63%	74.89	86.22	-13.14%
External Sector (FY USD mn)											
Total Imports	(USD Mn)	5,253	5,805	6,081	5,306	6,087	5,848	-9.51%	58,387	54,937	6.28%
Total Exports	(USD Mn)	2,272	3,055	2,268	2,420	2,848	2,499	-25.63%	32,039	30,684	4.42%
Trade Balance	(USD Mn)	(2,981)	(2,750)	(3,813)	(2,886)	(3,239)	(3,349)	-8.40%	(26,348)	(24,253)	-8.64%
Current Account Balance	(USD Mn)	427	68	(265)	98	(291)	83	527.94%	328	(313)	204.79%
Remittances	(USD Mn)	3,288	3,464	3,592	3,188	3,420	3,184	-5.10%	38,300	30,251	26.61%
Oil Import Bill	(USD Mn)	1,199.40	1,186.10	1,183.09	1,007.78	1,293.23	1,092.95	1.12%	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 A	2026 E	2024 A	2025 A	2026 E	2025 A	2026 E	2025 A	2026 E	2025 A	2026 E	2025 A	2026 E	CY-26/ FY-26
							Trn	PKR	PKR	PKR	PKR	PKR	PKR	%	%	x	x	x	x	%	%	%
1	FFC	Dec	BUY	494.0	657.0	33%	710.8	45.5	51.7	60.5	36.5	37.0	43.5	7%	9%	9.6	8.2	4.6	4.0	48%	49%	42%
2	EFERT	Dec	BUY	201.0	255.0	27%	268.4	21.2	17.0	28.5	21.5	15.0	26.7	7%	13%	11.9	7.1	5.4	5.1	60%	45%	40%
3	INDU	Jun	BUY	1781.5	3267.0	83%	140.0	191.8	292.7	400.1	114.7	176.0	242.0	10%	14%	6.1	4.5	1.9	1.5	14%	31%	97%
4	HCAR*	Mar	BUY	165.2	298.0	80%	23.6	16.3	19.0	27.3	6.5	8.0	11.5	5%	7%	8.7	6.1	1.0	0.9	8%	6%	87%
5	HBL	Dec	BUY	258.2	372.0	44%	378.7	39.9	45.5	43.2	16.3	20.0	18.0	8%	7%	5.7	6.0	0.8	0.7	16%	14%	51%
6	MCB	Dec	BUY	367.9	476.0	29%	436.0	48.6	49.3	44.5	36.0	36.0	36.0	10%	10%	7.5	8.3	1.7	1.7	37%	23%	39%
7	UBL	Dec	BUY	368.7	514.0	39%	923.4	61.1	64.0	60.5	44.0	45.0	44.0	12%	12%	5.8	6.1	1.2	1.2	29%	21%	51%
8	BAHL	Dec	BUY	151.3	228.0	51%	168.2	37.7	29.2	35.5	17.0	15.0	15.0	10%	10%	5.2	4.3	1.0	0.9	35%	20%	61%
9	ABL	Dec	BUY	170.0	254.0	49%	194.7	38.8	31.7	45.4	16.0	16.0	17.5	9%	10%	5.4	3.7	0.9	0.8	30%	18%	60%
10	MEBL	Dec	BUY	437.3	565.0	29%	787.4	57.3	50.2	52.5	28.0	28.0	27.0	6%	6%	8.7	8.3	2.7	2.4	41%	31%	35%
11	MUGHAL	Jun	BUY	68.9	106.0	54%	23.1	6.0	2.8	2.8	0.0	0.0	0.0	0%	0%	24.4	24.6	0.9	0.8	15%	4%	54%
12	ISL	Jun	BUY	73.2	148.0	102%	31.9	8.4	3.6	7.2	5.5	2.5	4.0	3%	5%	20.5	10.2	1.6	1.5	6%	8%	108%
13	OGDC	Jun	BUY	276.6	427.0	54%	1,189.7	48.6	39.5	48.0	10.1	15.1	18.0	5%	7%	7.0	5.8	0.9	0.8	18%	15%	61%
14	PPL	Jun	BUY	213.8	350.0	64%	581.8	42.0	33.8	43.5	6.0	7.5	8.0	4%	4%	6.3	4.9	0.8	0.7	20%	13%	67%
15	POL	Jun	BUY	637.4	897.0	41%	180.9	137.9	85.2	105.0	95.0	75.0	90.0	12%	14%	7.5	6.1	2.1	2.0	47%	28%	55%
16	LUCK	Jun	BUY	354.9	568.0	60%	519.9	44.1	52.5	62.8	3.0	4.0	6.5	1%	2%	6.8	5.7	0.6	0.6	19%	10%	62%
17	FCCL	Jun	BUY	39.0	72.0	85%	95.6	3.4	5.4	6.5	1.0	1.3	1.5	3%	4%	7.2	6.0	1.2	1.0	12%	17%	89%
18	MLCF	Jun	BUY	82.0	147.0	79%	85.9	5.0	16.3	13.0	0.0	0.0	0.0	0%	0%	5.0	6.3	1.6	1.3	11%	12%	79%
19	NML	Jun	BUY	134.1	175.0	30%	47.2	18.1	17.1	35.0	3.0	2.0	4.5	1%	3%	7.8	3.8	0.4	0.3	6%	6%	34%
20	ILP	Jun	BUY	77.0	128.0	66%	107.9	11.3	3.8	9.2	5.5	1.0	4.0	1%	5%	20.0	8.3	1.4	1.3	40%	11%	71%
21	GATM	Jun	BUY	18.8	49.0	160%	13.9	6.4	5.4	7.0	0.0	0.0	0.0	0%	0%	3.5	2.7	0.3	0.3	11%	8%	160%
HMFS Universe						60%	6,908.9							6%	7%	9.0	6.9	1.4	1.3	25%	18%	66%

(*) 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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