



WEEKLY REPORT

PEACE HOPES, MARKET SWINGS

DATE:

Friday, May 08, 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 Trade Deficit Widens as Import Pressure Mounts

Pakistan's external trade position deteriorated sharply in the first ten months of fiscal year 2026, with the merchandise trade deficit surging 20% y/y to USD 32bn during July–April. Data from the Pakistan Bureau of Statistics showed imports climbing nearly 7% to USD 57.2bn, while exports slid more than 6% to USD 25.2bn, leaving the country importing more than twice what it sold abroad. The trend extended into April 2026, where the monthly deficit widened approximately 4% to just over USD 4bn. Within the energy sector, petroleum sales fell 7% y/y to 1.36mn tonnes in April as elevated fuel prices weighed on demand, though domestic refinery uplift rose 12.7%, supported by tighter controls on Iranian fuel inflows and improved utilisation levels. The State Bank of Pakistan extended CIF import permissions for crude and petroleum products until July 10, 2026, providing supply chain continuity amid global energy market uncertainty. Cement dispatches offered a brighter signal, rising 11.14% y/y to 3.89mn tonnes in April, with local dispatches surging 20.17% — reflecting recovering construction activity. Export dispatches, however, declined 18.22%, consistent with broader export softness. Meanwhile, scheduled load shedding was lifted following the arrival of LNG shipments, though the episode reaffirmed Pakistan's structural vulnerability to procurement gaps in gas supply.

Pakistan's Pre-Budget Landscape: Fiscal Pressures, Tariff Disputes, and Reform Imperatives

Pakistan's pre-budget environment is increasingly defined by mounting tensions between revenue mobilisation objectives and the sustainability concerns of its documented industrial base. Prime Minister Shehbaz Sharif has directed the FBR to double revenue collection from PKR 389bn in FY26 to PKR 778bn in FY27 through stricter enforcement measures, a target widely regarded as ambitious given structural constraints in the tax net. Complementing this, the PM approved a Centralised Litigation Management System to expedite disposal of pending tax cases — a task force review revealing 2,800 cases before the Supreme Court, materially lower than the 5,000–6,000 figure previously cited by the FBR. Industry pushback ahead of the Finance Bill 2026 has been vocal. Business leaders have strongly opposed SSGC's petition to OGRA seeking a 121% standalone increase in prescribed gas prices to approximately PKR 3,935 per MMBTU — disproportionately higher than SNGPL's 21% request. When accumulated revenue shortfalls of over PKR 545bn are incorporated, the effective tariff impact reaches 286%, pushing prescribed prices toward PKR 6,855 per MMBTU. Critics argue the petition embeds PKR 956bn in historical financial inefficiencies into current tariffs, penalising existing consumers for systemic cost mismanagement — particularly concerning given that gas throughput has declined 9.4% y/y while operat-

Major Events

-ing expenses have surged over 108%. Textile exporters, dairy, telecom, and real estate sectors have collectively called for abolition of the super tax and reductions in withholding tax rates, while the dairy industry has proposed shifting sales tax determination to printed prices to counter evasion without adding burden on documented players. The Senate budget session is expected to be summoned in the first week of June.

Pakistan's Capital Markets Gain Momentum on Structural and Retail Fronts

Pakistan's capital markets recorded a confluence of structural and participatory developments this week, signalling broadening momentum across institutional and retail dimensions. The Securities and Exchange Commission of Pakistan spearheaded the launch of the Capital Market Development Fund, a coordinated industry initiative targeting an expansion of the investor base to 2.5mn — a significant step given that current market participation remains below 1% of the population. The fund was established through an agreement among key market infrastructure institutions, including the PSX, Central Depository Company, National Clearing Company of Pakistan, Pakistan Mercantile Exchange, and the Institute of Financial Markets of Pakistan, reflecting an unusually unified institutional commitment to deepening market access. At the retail level, the PSX added 25,114 new investor accounts in April 2026, underpinned by digital onboarding systems and improved accessibility. Notably, account opening data revealed strong participation from Gen Z and millennial cohorts, a structural positive that points toward a generational shift in savings and investment behaviour — a demographic tailwind that, if sustained, could meaningfully expand the equity market's long-term depth. Additionally, Pakistan's primary market has witnessed a notable uptick in IPO activity in recent months, with a growing pipeline of listings reflecting improved market conditions. Against this backdrop, Sitara Petroleum Service Limited's IPO book building stood out even among a strengthening peer set, reaching its cap price of PKR18.90 within just 10 minutes of opening — marking the fastest book-building transaction to hit the cap price in PSX history.

Other News

Key indicators on track despite ME tensions: Aurangzeb: Finance Minister Muhammad Aurangzeb told the National Assembly Standing Committee on Finance that Pakistan remains broadly on track on key economic indicators despite regional tensions and external pressures, expressing confidence that the International Monetary Fund (IMF) Executive Board would approve the next loan tranche.

FCC strikes down Section 7E tax on property: In one of the most consequential tax rulings in Pakistan's recent judicial history, the Federal Constitutional Court (FCC) unanimously struck down Section 7E of the Income Tax Ordinance, 2001, declaring the contested property levy unconstitutional, void from its very inception, and without any legal force whatsoever.

MTL clarifies EV motorcycle speculation: Millat Tractors Limited has moved to address growing market speculation over its potential entry into the electric motorcycle segment, confirming that a group company is currently assessing the feasibility of EV bike production in Pakistan but stressing the matter is still at an early stage.

PTL grows solar fleet with new contract: Panther Tyres Limited has awarded a contract for the installation of a 3.5 MW solar power system to a well-established solar energy solutions provider.

Govt approves over Rs4.5bn for PIAHCL liabilities settlement: The federal government has approved over Rs 4.5 billion to meet funding requirements for the settlement of claims and carved-out liabilities of PIA Holding Company Limited (PIAHCL) on the recommendations of the Ministry of Defence.

Pakistan, US agree to continue trade talks: Pakistan and the US have agreed to continue ongoing negotiations on outstanding matters under an Agreement on Reciprocal Trade (ART), as Washington is asking Islamabad to increase imports to narrow the existing trade imbalance.

China rejects US sanctions on refineries over Iran oil links: China will not comply with US sanctions against five firms targeted for purchasing Iranian oil, Beijing's commerce ministry said on Saturday. China is a key customer for Iranian oil, mainly through independent "teapot" refineries that rely on discounted crude from the Islamic republic.

IHC rejects Hubco's petition against FBR notice: The Islamabad High Court has dismissed a petition filed by the Hub Power Company challenging a show-cause notice issued by the Federal Board of Revenue (FBR), reinforcing the tax authority's jurisdiction in the matter.

IMF seeks removal of SWF powers: Pakistan has given a commitment to the International Monetary Fund (IMF) to strip the Sovereign Wealth Fund (SWF) of its legal powers to directly sell assets of state-owned enterprises (SOEs) to foreign nations and to retain revenues or take loans.

Hike in policy rate may raise CPPA-G loan liabilities: The recent increase of 100 basis points in the policy rate by the State Bank of Pakistan (SBP) is likely to raise the financial liability of the Central Power Purchasing Agency-Guaranteed (CPPA-G) on loans amounting to Rs 1.225 trillion, obtained from commercial banks to retire circular debt in the power sector.

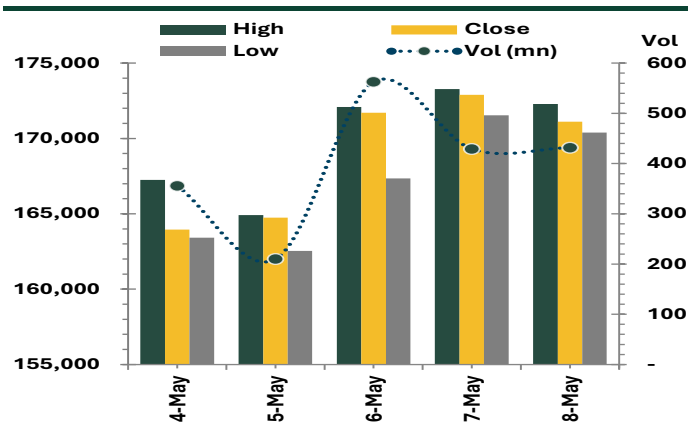
Pakistan misses \$8bn SEZ investment, 500,000-job targets: minister: Pakistan's quest to attract over \$8 billion in foreign direct investment (FDI) in Special Economic Zones (SEZs), and to generate 500,000 jobs between 2018 and 2024, remained well below the target, according to the investment minister.

Equity Market Review

Summary

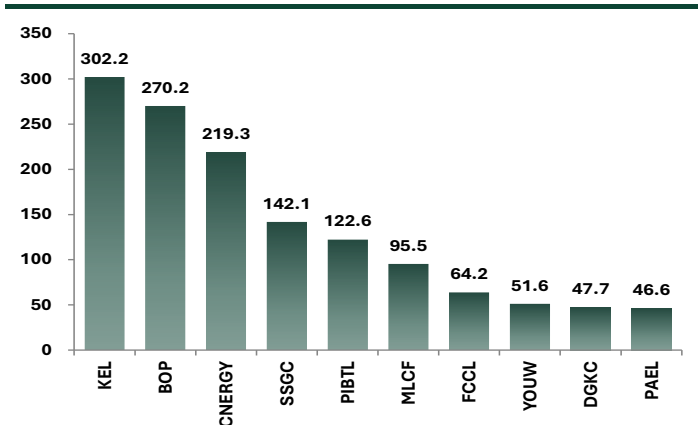
The KSE-100 Index endured a highly volatile yet ultimately positive week, as investor sentiment swung sharply in response to rapidly evolving geopolitical developments in the Middle East and fluctuations in international oil prices. Market participants remained heavily focused on the trajectory of US-Iran tensions, with alternating signals of escalation and diplomatic progress dictating near-term market direction throughout the week. Initial optimism stemmed from improving Pak-US relations and easing crude oil prices, which triggered aggressive value hunting and propelled the benchmark to strong intraday gains. However, renewed military developments in the Gulf repeatedly undermined confidence, leading to bouts of profit-taking and elevated intraday volatility. Sentiment improved significantly midweek following indications of a potential diplomatic breakthrough and temporary easing in geopolitical tensions, sparking a broad-based rally that lifted the benchmark sharply. Nonetheless, the sustainability of the rebound remained uncertain as fresh regional attacks and renewed escalation concerns revived risk aversion in the latter part of the week. Meanwhile, concerns surrounding Pakistan’s widening trade deficit continued to keep investors cautious amid fears of external account pressure in a higher oil price environment. Despite the volatile trading pattern, the benchmark KSE-100 Index closed the week at 171,115.82 level, gaining 8,121.65 points w/w. Trading activity remained robust, with average daily traded volumes standing at 397.87mn shares in the KSE-100 Index and 868.97mn shares in the broader ALLSHR Index during the week.

Daily Market Performance



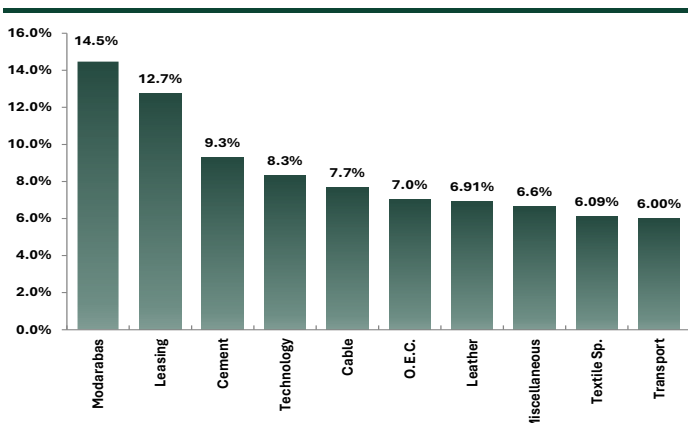
Source: PSX & HMFS Research

Top 10 Volume leaders (volumes in mn)



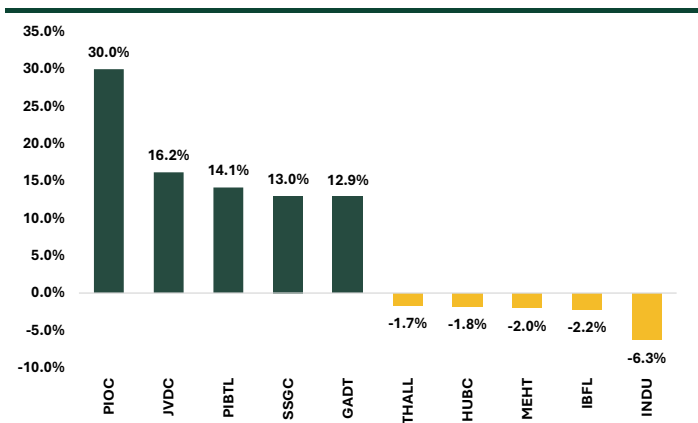
Source: PSX & HMFS Research

Sector Performance



Source: PSX & HMFS Research

Gainers & Losers (KSE-100 Index)



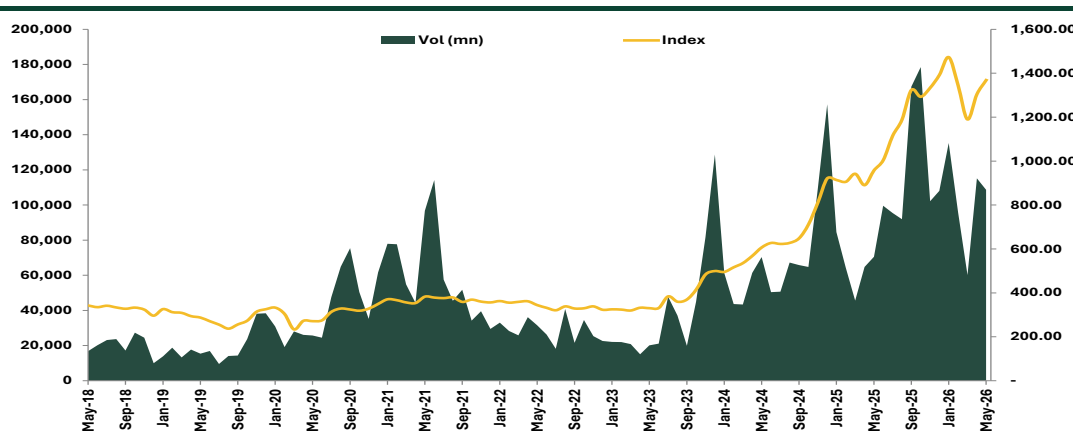
Source: PSX & HMFS Research

Equity Market Review

Outlook

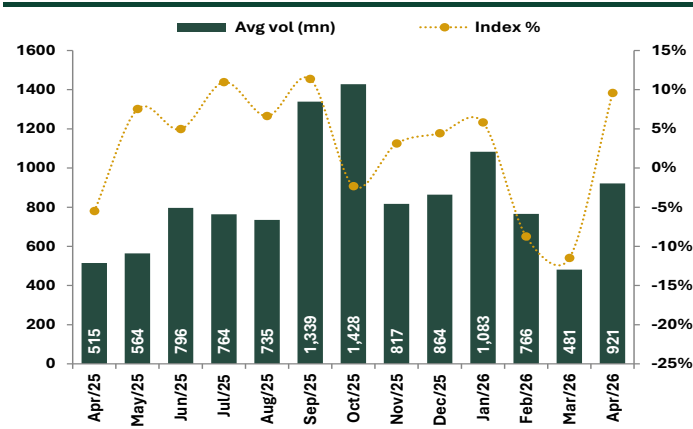
Looking ahead, market direction is expected to remain closely tied to developments surrounding geopolitical tensions in the Middle East and their impact on international oil prices, which continue to drive near-term investor sentiment. While recent diplomatic efforts and intermittent signs of de-escalation have provided temporary relief to equities, the overall situation remains fragile, leaving the market vulnerable to abrupt swings in sentiment. Any meaningful progress toward a sustained ceasefire between the US and Iran could support further recovery in risk appetite and encourage renewed institutional participation. Conversely, any renewed military escalation or sharp spike in crude oil prices may reignite concerns over Pakistan’s external account position and inflation outlook, thereby keeping investors cautious. On the domestic front, participants are also expected to closely monitor upcoming macroeconomic indicators and policy developments for further clarity on the economic trajectory. Despite prevailing volatility, improving valuations and strong liquidity conditions may continue to support selective buying interest across key sectors.

Index Performance



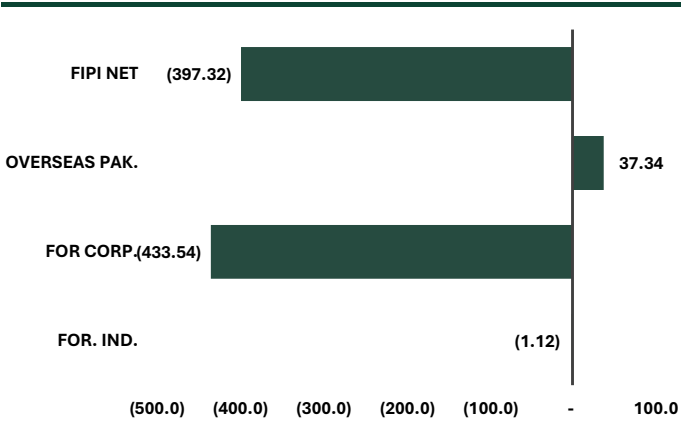
Source: PSX & HMFS Research

MoM Index gain vs Average Volume



Source: PSX & HMFS Research

FIPI (CYTD in USD mn)



Source: NCCPL & HMFS Research

Money Market Review

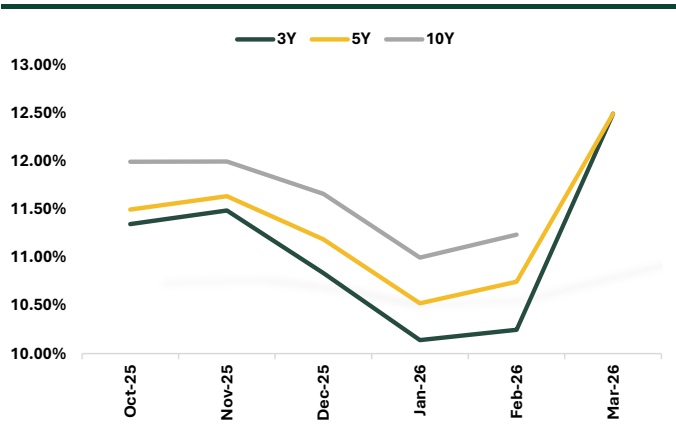
Summary

The week was relatively quiet on the primary market front, with no Market Treasury Bill (MTB) or Pakistan Investment Bond (PIB) auction conducted; the next T-Bill auction is scheduled for May 13, 2026, while the next PIB auction is due on May 18, 2026. To manage systemic liquidity, the SBP conducted an Open Market Operation (OMO) reverse repo injection of PKR 4.2tn at a rate of 11.53%. On the inflation front, headline CPI for April 2026 clocked in at 10.9% Y/Y, surging from 7.3% in March and marking a return to double-digit territory — the sharpest monthly acceleration in recent memory.

Outlook

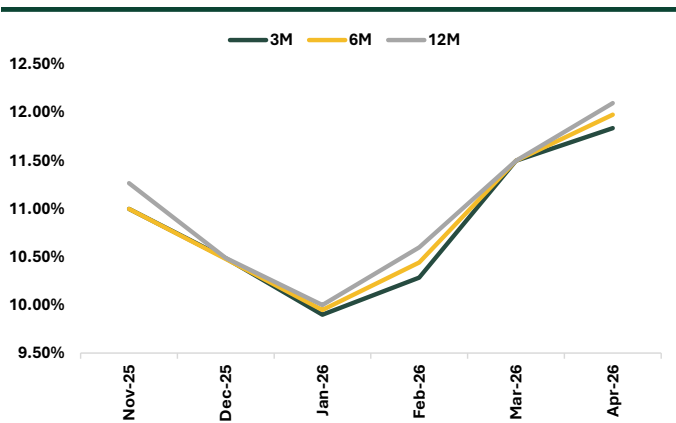
The April inflation print of 10.9% Y/Y reinforces the rationale behind the MPC's 100bps rate hike to 11.5% on April 27, 2026 — the first tightening move since June 2023. With headline inflation now firmly in double digits, the interest rate environment is likely to stay elevated in the near term. Ongoing geopolitical tensions, particularly the US-Iran situation keeping global oil prices elevated, remain a key upside risk to the inflation trajectory. Market participants will watch closely for any further shift in the KIBOR yield patterns as a gauge of how the market is pricing the new rate regime.

PIB Yields



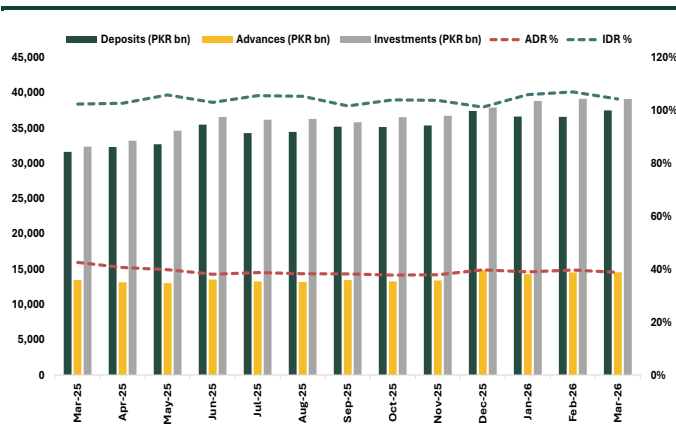
Source: SBP & HMFS Research

T-Bill Yields



Source: SBP & HMFS Research

Bank's ADR & IDR



Source: SBP & HMFS Research

Forex Market Review

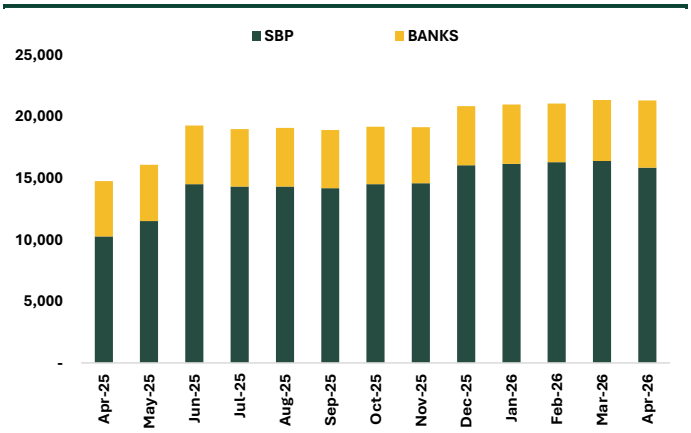
Summary

During the week ended April 30, 2026, Pakistan's external position continued to improve as total liquid foreign exchange reserves rose to USD 21.29bn. SBP-held reserves increased by USD 23mn W/W to USD 15.85bn, while commercial banks' reserves edged up by USD 2mn to USD 5.44bn. On the currency front, the PKR remained broadly stable in the interbank market, closing near PKR 278.70/USD.

Outlook

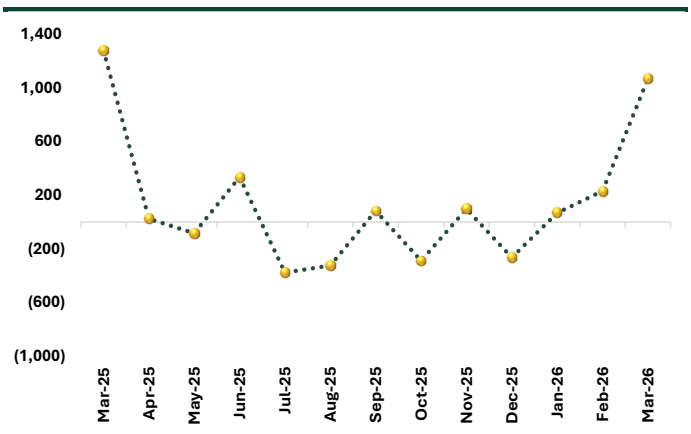
The forex outlook is cautiously constructive, supported by a strengthening reserve position and expected near-term inflows. The IMF Board is set to approve Pakistan's pending USD 1.2bn disbursement, which the SBP Governor has indicated would push reserves beyond USD 17bn by fiscal year-end — sufficient to cover three months of imports. Pakistan also received final Chinese regulatory approval for its inaugural Panda bond issuance worth USD 250mn, adding another near-term inflow to the pipeline. The Finance Minister affirmed that the current account remains on track to meet its annual target despite the ongoing Middle East conflict, with the current account having maintained a marginal surplus through the first nine months of FY26. That said, elevated global oil prices continue to pose upside risk to the import bill, and the PKR is likely to remain range-bound, with stability contingent on the timely materialisation of anticipated inflows.

Foreign Exchange Reserves (USD bn)



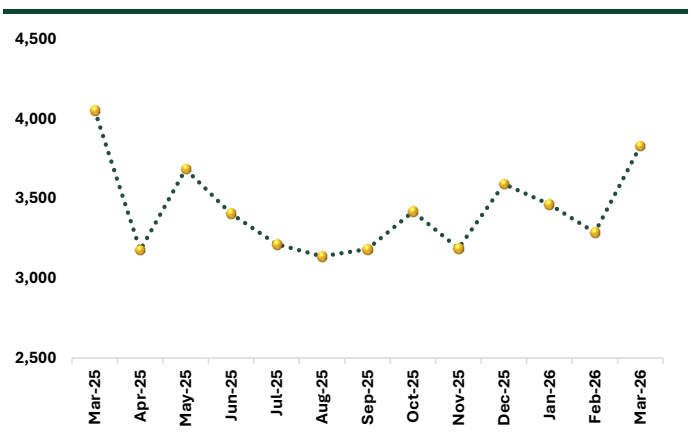
Source: SBP & HMFS Research

Current Account Balance (USD mn)



Source: SBP & HMFS Research

Remittances (USD mn)



Source: SBP & HMFS Research

Key Economic Indicators

Item	Units	Apr-26	Mar-26	Feb-26	Jan-26	Dec-25	Nov-25	%M/M	CY25	CY24	%Y/Y
Banking Indicators											
Return on Outstanding Loans	%	-	10.48%	10.59%	10.63%	10.91%	11.15%	-0.11%	11.74%	17.03%	-5.30%
Return on Deposits	%	-	4.94%	4.97%	5.01%	5.35%	5.23%	-0.03%	5.54%	10.77%	-5.23%
Interest rate Spread	%	-	5.54%	5.62%	5.62%	5.56%	5.92%	-0.08%	6.20%	6.26%	-0.06%
Deposits	(PKR bn)	-	37,505	36,586	36,642	37,431	35,380	2.51%	37,431	30,283	23.60%
Advances	(PKR bn)	-	14,555	14,534	14,291	14,880	13,421	0.15%	14,880	16,009	-7.05%
Investments	(PKR bn)	-	39,127	39,156	38,839	37,910	36,732	-0.08%	37,910	29,129	30.14%
ADR	%	-	38.81%	39.73%	39.00%	39.75%	37.93%	-0.92%	39.75%	52.87%	-13.11%
IDR	%	-	104.32%	107.02%	105.99%	101.28%	103.82%	-2.70%	101.28%	96.19%	5.09%
Kibor (Ask Side)											
3-Month	%	11.45%	11.03%	10.53%	10.39%	10.85%	11.16%	0.41%	11.40%	18.81%	-7.41%
6-Month	%	11.60%	11.12%	10.55%	10.39%	10.89%	11.19%	0.48%	11.39%	18.58%	-7.19%
9-Month	%	12.00%	11.50%	10.79%	10.62%	11.15%	11.44%	0.50%	11.61%	18.50%	-6.89%
1-Year	%	12.04%	11.57%	10.80%	10.61%	11.16%	11.47%	0.47%	11.61%	18.21%	-6.60%
Avg. Exchange Rates											
USD	PKR	278.95	279.30	279.62	279.95	280.29	280.71	-0.13%	281.15	278.53	0.94%
Euro	PKR	326.04	322.83	330.91	328.56	328.43	324.52	0.99%	317.82	301.36	5.46%
JPY	PKR	1.75	1.76	1.80	1.79	1.80	1.81	-0.59%	1.8811	1.8410	2.18%
GBP	PKR	374.78	372.54	380.06	378.54	375.40	368.67	0.60%	370.72	355.94	4.15%
CNY	PKR	40.79	40.51	40.49	40.17	39.81	39.49	0.69%	39.11	38.70	1.07%
Inflation											
Avg. CPI	%	6.19%	5.67%	5.46%	5.24%	5.10%	5.01%	0.52%	4.49%	23.41%	-18.92%
Avg. NFNE	%	8.00%	7.40%	7.10%	7.20%	6.90%	6.60%	0.60%	6.90%	12.20%	-5.30%
Commodities											
Arab Light (Avg.)	USD/bbl	114.07	102.99	67.67	62.88	62.82	65.62	10.76%	74.89	86.22	-13.14%
External Sector (FY USD mn)											
Total Imports	(USD Mn)	6,553	5,103	5,290	5,805	6,081	5,306	28.41%	58,387	54,937	6.28%
Total Exports	(USD Mn)	2,479	2,264	2,276	3,055	2,268	2,420	9.50%	32,039	30,684	4.42%
Trade Balance	(USD Mn)	(4,074)	(2,839)	(3,014)	(2,750)	(3,813)	(2,886)	-43.50%	(26,348)	(24,253)	-8.64%
Current Account Balance	(USD Mn)	-	1,070	231	68	(265)	98	363.20%	328	(313)	204.79%
Remittances	(USD Mn)	-	3,831	3,288	3,464	3,592	3,188	16.53%	38,300	30,251	26.61%
Oil Import Bill	(USD Mn)	-	983.01	1,199.40	1,186.10	1,183.09	1,007.78	-18.04%	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	2026 E	2027 F	CY-26/ FY-26
							Trn	PKR	PKR	PKR	PKR	PKR	PKR	%	%	x	x	x	x	%	%	%		
1	FFC	Dec	BUY	532.9	735.0	38%	766.9	51.7	50.3	53.8	37.0	43.0	46.0	8%	9%	10.6	9.9	4.7	4.4	44%	44%	46%		
2	EFERT	Dec	BUY	197.9	255.0	29%	264.3	17.0	28.5	31.0	15.0	26.7	27.0	13%	14%	6.9	6.4	5.0	4.6	73%	72%	42%		
3	INDU	Jun	BUY	2007.8	3267.0	63%	157.8	292.7	400.1	414.7	176.0	242.0	253.0	12%	13%	5.0	4.8	1.7	1.5	34%	31%	75%		
4	HCAR	Mar	HOLD	234.0	232.0	-1%	33.4	19.0	20.5	23.0	8.0	8.5	9.5	4%	4%	11.4	10.2	1.3	1.2	12%	12%	3%		
5	HBL	Dec	BUY	295.3	372.0	26%	433.1	45.5	43.2	48.5	20.0	18.0	18.0	6%	6%	6.8	6.1	0.8	0.8	12%	13%	32%		
6	MCB	Dec	BUY	404.6	476.0	18%	479.4	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	415.2	514.0	24%	1,039.8	52.1	60.5	55.2	29.5	44.0	44.0	11%	11%	6.9	7.5	1.3	1.3	19%	17%	34%		
8	BAHL	Dec	BUY	170.7	228.0	34%	189.7	29.2	31.0	31.0	15.0	15.0	15.0	9%	9%	5.5	5.5	1.0	1.0	19%	17%	42%		
9	ABL	Dec	BUY	181.0	254.0	40%	207.2	31.7	45.4	33.4	16.0	17.5	18.0	10%	10%	4.0	5.4	0.9	0.8	22%	15%	50%		
10	MEBL	Dec	BUY	486.0	565.0	16%	875.0	50.2	52.5	54.2	28.0	27.0	28.0	6%	6%	9.3	9.0	2.6	2.3	28%	26%	22%		
11	MUGHAL*	Jun	BUY	76.2	106.0	39%	25.6	2.8	2.8		0.0	0.0		0%		27.2		0.9		3%		39%		
12	ISL	Jun	BUY	79.5	148.0	86%	34.6	3.6	7.2	9.5	2.5	4.0	8.0	5%	10%	11.1	8.4	1.6	1.5	14%	18%	91%		
13	OGDC	Jun	BUY	329.7	427.0	30%	1,417.9	39.5	34.9	37.9	15.1	18.0	20.0	5%	6%	9.5	8.7	1.0	0.9	10%	11%	35%		
14	PPL	Jun	BUY	229.9	350.0	52%	625.6	33.8	29.7	34.9	7.5	8.0	10.0	3%	4%	7.7	6.6	0.8	0.7	10%	11%	56%		
15	POL	Jun	BUY	657.6	897.0	36%	186.7	85.2	82.4	88.0	75.0	90.0	92.0	14%	14%	8.0	7.5	2.2	2.2	28%	30%	50%		
16	LUCK	Jun	BUY	445.7	568.0	27%	653.0	52.5	62.8	79.0	4.0	6.5	15.0	1%	3%	7.1	5.6	0.7	0.7	10%	12%	29%		
17	FCCL	Jun	BUY	51.9	72.0	39%	127.2	5.4	6.5	7.7	1.3	1.5	2.5	3%	5%	7.9	6.7	1.4	1.2	18%	18%	42%		
18	MLCF	Jun	BUY	89.0	147.0	65%	93.2	16.3	13.0	23.0	0.0	0.0	0.0	0%	0%	6.9	3.9	1.4	1.0	21%	27%	65%		
19	NML	Jun	BUY	152.4	175.0	15%	53.6	17.1	17.1	19.8	2.0	3.0	3.0	2%	2%	8.9	7.7	0.4	0.4	4%	5%	17%		
20	ILP	Jun	BUY	83.6	128.0	53%	117.2	3.8	9.2	9.0	1.0	4.0	6.0	5%	7%	9.1	9.3	1.4	1.3	15%	14%	58%		
21	GATM*	Jun	BUY	23.0	49.0	113%	17.0	5.4	7.0	5.2	0.0	0.0	0.0	0%	0%	3.3	4.4	0.3	0.3	10%	7%	113%		
HMFS Universe						40%	7,798.3							6%	7%	8.6	6.9	1.4	1.3	19%	21%	46%		

(*) 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

BUY	More than 15% Upside
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