



# ACPL DIGEST

(Dec-23)

Abbasi and Company (Pvt.) Limited (ACPL) is amongst the notable financial brokerage firms in Pakistan. The company is a TREC holder of Pakistan Stock Exchange Limited (PSX) and is a universal member of Pakistan Mercantile Exchange Limited (PMEX). Pakistan Credit Rating Agency (PACRA) has assigned the initial broker rating of “BMR 2” and “BFR 2” with “Stable” outlook to Abbasi and Company (Pvt.) Limited.

ACPL Research covers 46 scrips from 14 sectors which constitute around 60% of the market capitalization of the KSE 100 index



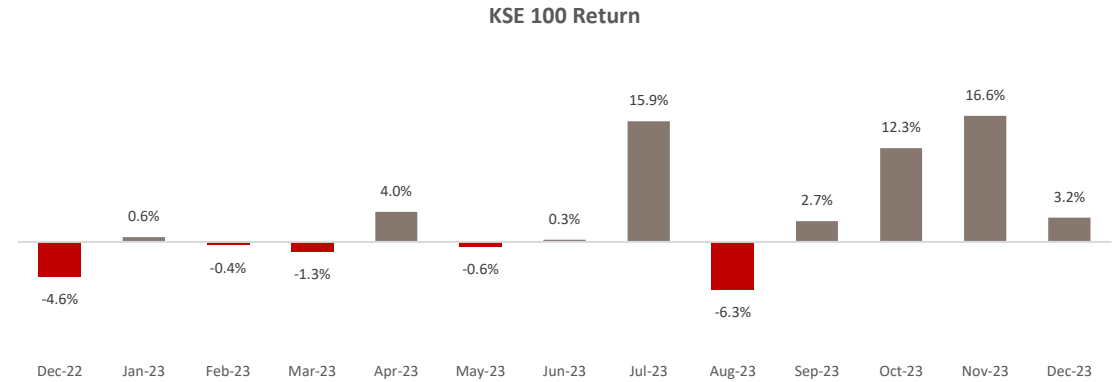
# ACPL DIGEST (Dec-23)



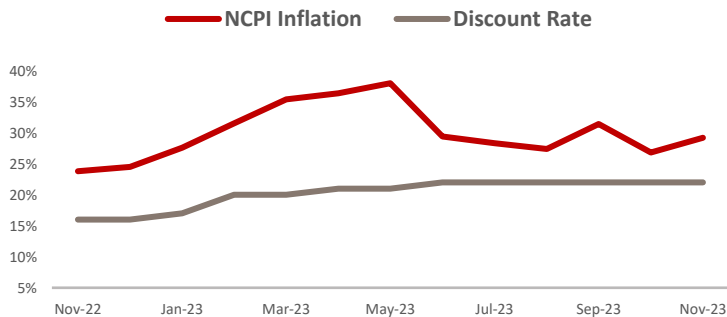
Remittances			Exports			Imports			Current Account	
5MFY24	5MFY23	Change	5MFY24	5MFY23	Change	5MFY24	5MFY23	Change	5MFY24	5MFY23
\$11.0 bn	\$12.3 bn	▼ -10.6%	\$12.2 bn	\$11.9 bn	▲ 2.0%	\$21.6 bn	\$26.0 bn	▼ -16.9%	-\$1.2 bn	-\$3.2 bn

The KSE 100 showcased an impressive first-half performance in December 2023, soaring by 11% and reaching an unprecedented peak of 67,094. However, the latter half witnessed a shift as selling pressure intensified, driven by the closure of leverage positions and institutional profit-taking before the year-end. This led to a significant retracement, ultimately resulting in a modest month-end gain of 3.2%.

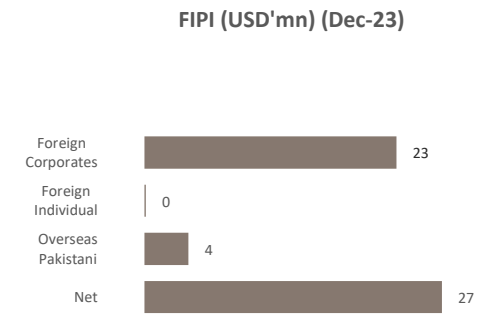
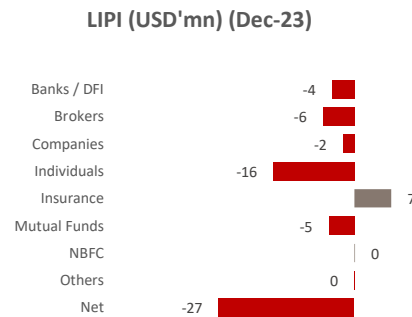
Cumulatively, the market delivered a robust performance in CY23, surpassing major asset classes with a significant gain of 55%. This impressive achievement was driven by positive sentiment stemming from the successful negotiation of a Standby Arrangement valued at USD 3 billion with the IMF, heightened foreign activity and inflows, government initiatives targeting USD hoarding and smuggling for PKR stabilization, and the anticipation of investments up to \$25 billion in various sectors as per



Source: PSX



Source: PBS, SBP



Source: MCCPL

the signed MoUs. Additionally, the market's sustained foreign inflows, reaching \$73.5 million in CY23, were underpinned by macroeconomic stability, expectations of lower interest rates, and exceptionally low valuations.

Looking ahead, we hold an optimistic outlook for macroeconomic indicators, with early signs of recovery in the first half of the current fiscal year. A positive trajectory for GDP growth is evident. The upcoming general elections in Feb-24 are anticipated to bring essential political stability, crucial for securing the next IMF agreement and attracting other inflows. However, challenges in the Red Sea pose a risk to inflation, potentially causing supply chain disruptions and delaying interest rate cuts. Conversely, successful containment of Red Sea challenges and ongoing declines in global oil prices could create conditions for a rate cut in Q2 2024.

Given KSE100's attractively low PE ratio of approximately 4x, well below its 10-year historical average of 7.5x, and sustained interest from foreign investors, we maintain an overweight position on the Oil & Gas Exploration and Marketing, Cement, Fertilizer, and Banking sectors. Our recommended stocks include BAML, UBL, MEBL, EFERT, FFC, MLCF, CHCC, PPL, OGDC, PSO, AIRLINK, GAL, SEARL, IMAGE and PABC.

		(USD' mn) (Dec-23)										
		Cement	Banks	Fertilizer	Food	E&P	OMC	Power	Tech	Textile	Others	Gross
LIPI Portfolio	Banks / DFI	1.43	2.58	-1.69	-0.70	-0.65	3.58	-3.59	-3.55	-0.03	-1.83	-4.46
	Broker Proprietary Trading	-0.41	-2.55	-0.52	-0.89	-0.61	-0.57	0.72	-0.17	-0.51	0.41	-5.10
	Companies	-1.52	2.01	-2.58	-0.46	1.38	-0.81	-1.87	-2.16	0.73	3.02	-2.25
	Individuals	-6.24	-0.96	-2.97	0.93	-4.30	-2.01	-3.15	4.97	-2.35	0.12	-15.96
	Insurance Companies	2.14	-2.28	6.67	-0.01	8.85	0.31	-0.87	-0.50	0.42	-7.50	7.22
	Mutual Funds	-1.42	-0.52	-1.02	-0.30	-1.32	-1.33	1.26	0.12	1.13	-1.66	-5.07
	NBFC	0.01	0.02	0.07	-0.01	-0.01	0.01	0.06	-0.01	0.01	-0.04	0.09
	Other Organization	-0.03	-1.77	-0.39	0.83	-0.87	0.07	-0.04	0.97	-0.09	0.11	-1.21
<b>LIPI Total</b>		<b>-6.05</b>	<b>-3.46</b>	<b>-2.44</b>	<b>-0.62</b>	<b>2.47</b>	<b>-0.75</b>	<b>-7.49</b>	<b>-0.32</b>	<b>-0.69</b>	<b>-7.37</b>	<b>-26.72</b>
FIPI Portfolio	Foreign Corporates	5.94	3.19	1.91	0.50	-1.85	1.56	4.63	-1.60	1.10	7.25	22.63
	Foreign Individual	0.00	0.00	0.00	0.00	0.00	-0.02	0.01	0.06	0.01	0.07	0.13
	Overseas Pakistani	0.11	0.26	0.53	0.12	-0.62	-0.79	2.85	1.86	-0.42	0.05	3.96
	<b>Total</b>	<b>6.05</b>	<b>3.46</b>	<b>2.44</b>	<b>0.62</b>	<b>-2.47</b>	<b>0.75</b>	<b>2.33</b>	<b>0.32</b>	<b>0.69</b>	<b>7.37</b>	<b>26.72</b>

Source: NCCPL

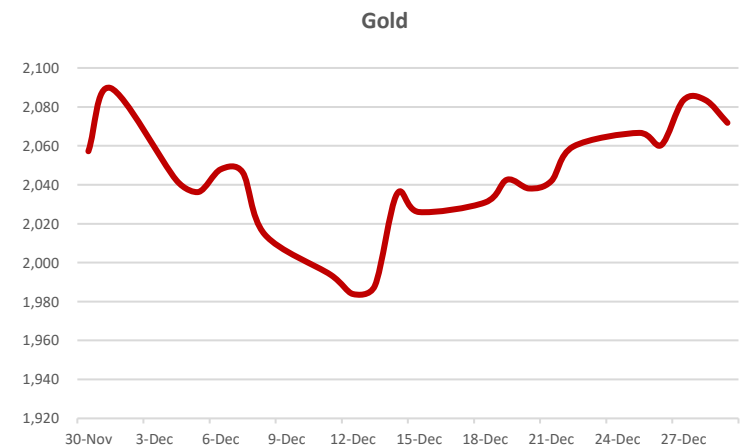
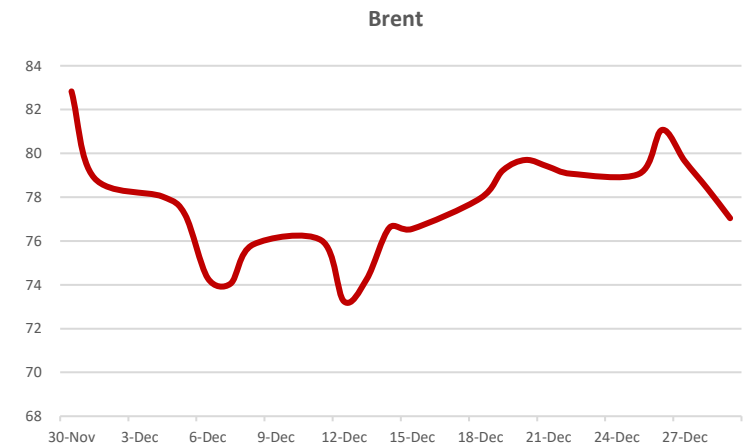
## COMMODITIES OVERVIEW

### Crude Oil

Oil prices experienced the largest annual drop since 2020, despite OPEC+ production cuts and geopolitical tensions from the Israel-Hamas war. Brent declined by 7% in Dec-23 to close at 77.04 whereas the cumulative decline in CY23 is 10.3%. Despite OPEC+ members implementing further production cuts from January 1, 2024, increased production from non-cartel nations and worries about slowing demand growth contribute to the decline in crude futures. Going forward, Geopolitical uncertainties, including the Ukraine conflict and Middle East tensions, cloud the 2024 global oil price outlook. Fitch Ratings warns of potential economic impacts, while forecasts suggest prices around \$90 per barrel. The U.S. Energy Information Administration predicts Brent crude at \$93 per barrel, with Bank of America and Goldman Sachs estimating averages of \$90 and \$94 per barrel, respectively.

### Gold

During the month of Dec-23, the price of gold futures remained flat and ended the month at \$2,071.80. However, the cumulative return in CY23 stands at 13.4% as investors remained optimistic that the Federal Reserve will begin a series of rate cuts throughout 2024. Furthermore, the geopolitical climate continues to be worrisome, with conflicts in both Ukraine and the Middle East showing no signs of easing. Conflicts in both parts of the world continue to be a prominent factor in gold's haven allure. Looking ahead, the anticipation of early 2024 rate cuts, along with prevailing geopolitical tensions in the Middle East and Ukraine, suggests that gold is poised to maintain strong support at \$2000 and continue its bullish trend.



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## DEFINITION OF TERMS

<b>TP</b>	Target Price	<b>DDM</b>	Dividend Discount Model	<b>FCF</b>	Free Cash Flows
<b>FCFE</b>	Free Cash Flows to Equity	<b>FCFF</b>	Free Cash Flows to Firm	<b>DCF</b>	Discounted Cash Flows
<b>PE</b>	Price to Earnings Ratio	<b>PB</b>	Price to Book Ratio	<b>BVPS</b>	Book Value Per Share
<b>EPS</b>	Earnings Per Share	<b>DPS</b>	Dividend Per Share	<b>ROE</b>	Return of Equity
<b>ROA</b>	Return on Assets	<b>SOTP</b>	Sum of the Parts	<b>JPB</b>	Justified Price to Book

Ratings are updated to account for any development impacting the economy/sector/company, changes in analysts' assumptions or a combination of these factors.

## VALUATION METHODOLOGY

To arrive at our Target Price, Abbasi & Company (Private) Limited uses different valuation methods which include:

- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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