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World's Cheapest Share Market May Lure Back Buyers: Taking Stock

By Hideyuki Sano and Ismail Dilawar

(Bloomberg) -- Pakistan's stocks have been hit by a slew of negative headlines but the market may have reached a short-term inflection point.

- Valuations have fallen so much that the KSE-100 Index is the world's cheapest equity benchmark, with a price-to-earnings ratio of 3.9 times. This may go some way toward luring back buyers, who abandoned the market due to political turmoil, the risk of a sovereign debt default and a sinking rupee.
- Optimists say there's another silver lining in the cloud: market watchers have discounted the likelihood of Pakistan receiving aid from the International Monetary Fund, so any positive surprise is likely to give equities a boost.
- The benchmark share index is little changed for the year, but record-high inflation means that investors are suffering a massive loss of value in price-adjusted terms. In dollar terms, the market is trailing the MSCI Frontier Emerging Markets Index by 22 percentage points.
- A breakdown of talks with the IMF may not necessarily be a bad thing as the multilateral lender is imposing conditions that are hurting the economy, said Imran Khalil Naseer, chief executive officer of Float Securities Pvt Ltd. Without the IMF's constraints, Pakistan can lower interest rates and "this may reduce the interest burden for both corporates and the government. This is a great time to buy."



- Some say failure to secure IMF aid will have little impact on Pakistan's stocks. "The equity markets have

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seemingly priced in a default if we compare to countries which have recently experienced the same, such as Sri Lanka and Ghana," said Mustafa Pasha, chief investment officer at Lakson Investments Ltd. "But a short-term reaction would not be surprising."

- To be clear, few are turning outright bulls. Political ructions, a weak rupee and the economy's vulnerability to natural disasters are all tempering enthusiasm toward Pakistan's assets. "Short term, maybe you can look at certain stocks selectively," said Ruchir Desai, Hong Kong-based fund manager at Asia Frontier Capital. "But longer term, I don't see a structural bull case of Pakistan."
- Desai is banking on a possible reduction in borrowing costs to revive appetite for equities. Inflation is likely to start easing in the second half of the year and "that will drive the central bank to possibly cut interest rates sometime, hopefully by early next year," he said.

SECTORS IN FOCUS

- Makers of airplane components and technology may move after Boeing's biggest supplier suspended production in a surprise development that risks disrupting plans to lift output of cash-cow 737 Max jet.
- Indian steelmakers may move on the Indian government's plan to widen the range of steel grades covered by a government incentive program in a bid to boost output and back Prime Minister Narendra Modi's goal to establish the nation as a global manufacturing hub.

COMPANY NEWS

- MSCI Retains South Korea on Emerging Markets List After Review
- Adani Group Statements to Investors Draw US Regulatory Scrutiny
- TikTok COO Pappas Steps Down, Presser Named Operations Chief
- Apple, Google, Microsoft CEOs Attend Modi Dinner at White House
- Ford Gets \$9.2 Billion to Help US Catch Up With China's EV Dominance
- Shein Eyes Overseas Expansion to Shift Supply Chain Beyond China
- Chile's GTD Teleductos Decides Against Asset Sale to Macquarie
- China's Chesir Is Said to Eye €1 Billion Merck KGaA Unit
- Byju's Appoints BDO to Replace Deloitte Haskins as Auditors
- Byju's Denies Reports of Resignation by Board Members

NOTES FROM THE SELL-SIDE

- US equities are in for a tumultuous second half of the year as the lagging impacts of aggressive monetary tightening by the Federal Reserve catch up to the economy, according to JPMorgan's Marko Kolanovic.
- Volatility has been retreating further recently, supporting an outperformance of European cyclicals relative to defensives as the two tend to happen in concert, UBS says.
- Any pullback in artificial intelligence-related stocks is a reason to buy as valuations aren't overly expensive despite their stunning gains this year, Barclays strategists say.

[Click here to see other analyst ratings news in Asia](#)

UPCOMING EVENTS (All times HK)

- June 22–June 30: (India) 1Q BoP Current Account Balance, est. \$3b, prior -\$18.2b
- 06:00: (NZ) May ANZ Truckometer Heavy MoM, actual 1.8%, prior -2.2%
- 07:00: (AU) June Judo Bank Australia PMI Servic, prior 52.1
- 07:00: (AU) June Judo Bank Australia PMI Compos, prior 51.6
- 07:00: (AU) June Judo Bank Australia PMI Mfg, prior 48.4
- 07:30: (Japan) May Natl CPI Ex Fresh Food, Energy, est. 4.2%, prior 4.1%
- 07:30: (Japan) May Natl CPI YoY, est. 3.2%, prior 3.5%
- 07:30: (Japan) May Natl CPI Ex Fresh Food YoY, est. 3.1%, prior 3.4%
- 08:30: (Japan) June Jibun Bank Japan PMI Services, prior 55.9
- 08:30: (Japan) June Jibun Bank Japan PMI Mfg, prior 50.6
- 08:30: (Japan) June Jibun Bank Japan PMI Composite, prior 54.3
- 12:00: (Malay) May Consumer Price Index YOY%, est. 3.0%, prior 3.3%
- 13:00: (SP) May CPI NSA MoM, prior 0.1%
- 13:00: (SP) May CPI Core YoY, est. 4.7%, prior 5.0%
- 13:00: (SP) May CPI YoY, est. 5.4%, prior 5.7%
- 13:30: (Japan) May Nationwide Dept Sales YoY, prior 8.6%
- 13:30: (Japan) May Tokyo Dept Store Sales YoY, prior 11.5%
- 15:30: (Thai) June Forward Contracts, prior \$28.6b
- 15:30: (Thai) June Foreign Reserves in US\$ BLN, prior \$220.3b
- June 23–June 28: (Thai) May Customs Exports YoY, est. -8.00%, prior -7.60%
- June 23–June 28: (Thai) May Customs Imports YoY, est. -12.00%, prior -7.30%
- June 23–June 28: (Thai) May Customs Trade Balance, est. -\$290m, prior -\$1.47b
- 21:45: (US) June S&P Global US Manufacturing PM, est. 48.5, prior 48.4
- 21:45: (US) June S&P Global US Composite PMI, est. 53.5, prior 54.3
- 21:45: (US) June S&P Global US Services PMI, est. 54.0, prior 54.9
- 23:00: (US) June Kansas City Fed Services Activ, prior 3

EARNINGS

- Oracle Corp. Japan (4716 JP)

CORPORATE EVENTS

- Annual General Meetings: 2127 JP, 3088 JP, 3231 JP, 3626 JP, 4042 JP, 4307 JP, 5401 JP, 5713 JP, 6383 JP, 6806 JP, 6869 JP, 6988 JP, 7269 JP, 7741 JP, 7752 JP, 7951 JP, 7974 JP, 8001 JP, 8002 JP, 8015 JP, 8053 JP, 8058 JP, 8308 JP, 8309 JP, 8411 JP, 9001 JP, 9021 JP, 9022 JP, 9064 JP, 9143 JP, 9201 JP, 9435 JP, 9532 JP, 9684 JP, ICBP IJ, INDF IJ
- Other Shareholder Events: SAWAD TB
- Earnings Calls: 4716 JP

CONFERENCES

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- No major conferences scheduled

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