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## Cheap Valuations Alone Not Enough to Buy Pakistan: Taking Stock

By Hideyuki Sano and Faseeh Mangi

(Bloomberg) -- Crisis-ridden Pakistan faces daunting economic challenges that may dampen enthusiasm for the nation's stocks among frontier-market fans, even with a recent rebound and cheap valuations.

- Shares in Pakistan are at their cheapest level since at least 2009. The KSE-100 Index is trading at around 4.3 times current earnings, compared with 10.1 for the MSCI Frontier Markets, which covers 22 countries including Pakistan, Vietnam and Bangladesh. The reading for MSCI's broader Asia gauge is 15.4.
- "Even with our economic situation, a fair PE for the stock market is 5.5 times rather than 4 times," said Amjad Waheed, chief executive officer at NBP Fund Management Ltd., which manages the equivalent of about \$823 million.
- The market has been riding on optimism about the nation taking steps to secure financing from the International Monetary Fund. That's helped drive the best weekly performance since mid-2020 for the KSE-100 Index.
- Overseas funds are trickling back in, with inflows reaching \$9.23 million last month after \$34 million left in December. Foreigners have been net sellers in all but one year since 2015, according to data compiled by Bloomberg.



- Pakistan's path out of its economic troubles, however, looks likely to be long. The IMF expects the south

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Asian economy to grow just 2% in the fiscal year ending June, 1.5 percentage points below an October forecast, as the nation grapples with raging inflation, supply shortages and dwindling currency reserves.

- Even as global monetary authorities look set to moderate their aggressive tightening cycle, the State Bank of Pakistan raised its key rate to a 24-year high of 17% in January to tackle inflation at above 20%.
- “You have to come to a point where either investors feel interest rates have peaked out or believe will start getting cut” in coming months, said Ruchir Desai, a fund manager at Asia Frontier Capital in Hong Kong. “But I don’t see that happening because inflation is still very high and will remain high, in my view, because the rupee has depreciated.”



- The rupee tumbled to a record low of 270 against the dollar on Monday as authorities loosened their FX control in a bid to secure IMF funding. It has since stabilized slightly, but room for gains may be limited. Ankur Shukla, an economist at Bloomberg Economics sees fair value for the currency at around 266.
- On top of all the economic challenges, the political outlook also remains uncertain after former Prime Minister Imran Khan was removed from office in a confidence vote last year, with an election expected to be held some time after August.

## SECTORS IN FOCUS:

- Asia’s major technology stocks may rise after the Federal Reserve slowed its pace of interest rate hikes and Meta Platforms announced better-than-expected sales.
- Asian energy stocks may move after oil fell the most in about a month as government data showed US crude inventories swelled to the highest levels since June 2021.
- Taiwan’s tourism-related stocks may gain after China’s aviation authority sent a letter to Taiwan that it is a favorable time to further resume normal operations of cross-strait air routes given the pandemic has

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stabilized on both sides.

#### COMPANY NEWS:

- Adani Abruptly Pulls \$2.4 Billion Offering as Crisis Mounts
- Adani Bonds Hit Distressed Levels After Stock Sale Is Pulled
- SBI Confident Adani Investment Will Not Pose Challenges: ET Now
- Samsung Aims to Outrun Smartphone Slump, Make Headway in China
- Samsung Upgrades Cameras and Batteries on iPhone's Biggest Rival
- Nomura Sees Dealmaking Rebound, End to Job Cuts as Profit Beats
- Renault, Nissan Director Deal Vote Seen With Hours to Spare
- Garuda Indonesia Seeks \$300-\$400M in Private Placement Plan
- Biocon Sells 10% in Unit Syngene in Open Market Deal
- Zhengzhou Coal Mining Machinery Plans Separate Listing of Unit

#### NOTES FROM THE SELL-SIDE

- Many Asian central banks will likely end policy rate increases in the first half, although monetary settings may "stay tight for longer" as China's faster-than-expected reopening stokes inflation risk in some markets, says Johanna Chua, head of Citi Asia Economics and Strategy.
- A net 0% of European companies have beaten consensus EPS expectations so far, putting them on course for the worst showing since the fourth quarter of 2014, Morgan Stanley strategists led by Giorgio Magagnotti say.
- The agreement between the US, the Netherlands and Japan to restrict chip machinery exports to China may impact ASML's revenue by 2% to 4%, Evercore ISI says, adding that a full-scale ban on all deep ultraviolet (DUV) lithography systems is unlikely.

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

#### UPCOMING EVENTS (All times HK):

- Feb. 1-Feb. 10: (PAK) Jan. Exports YoY, prior -16.6%, revised -16.3%
- Feb. 1-Feb. 10: (PAK) Jan. Imports YoY, prior -31.9%, revised -32.0%
- 05:45: (NZ) Dec. Building Permits MoM, actual -7.2%, prior 7.0%, revised 6.7%
- 07:00: (Skorea) Jan. CPI Core YoY, prior 4.8%
- 07:00: (Skorea) Jan. CPI YoY, est. 5.0%, prior 5.0%
- 07:00: (Skorea) Jan. CPI MoM, est. 0.6%, prior 0.2%
- 07:50: (Japan) Jan. Monetary Base End of period, prior JPY632.4t
- 07:50: (Japan) Jan. Japan Buying Foreign Bonds, prior -JPY344.2b
- 07:50: (Japan) Jan. Foreign Buying Japan Bonds, prior -JPY131.3b
- 07:50: (Japan) Jan. Japan Buying Foreign Stocks, prior JPY260.3b
- 07:50: (Japan) Jan. Net Stocks Investment, prior -JPY83b
- 07:50: (Japan) Jan. Monetary Base YoY, prior -6.1%

- 08:30: (AU) 4Q NAB Business Confidence, prior 9
- 08:30: (AU) Dec. Private Sector Houses MoM, prior -2.5%
- 08:30: (AU) Dec. Building Approvals MoM, est. 1.0%, prior -9.0%
- 10:00: (Skorea) Dec. Discount Store Sales YoY, prior 9.2%
- 10:00: (Skorea) Dec. Department Store Sales YoY, prior 3.7%
- 10:00: (Skorea) Dec. Retail Sales YoY, prior 8.4%
- 21:00: (SP) Jan. Electronics Sector Index, prior 48.9
- 21:00: (SP) Jan. Purchasing Mgr Index %, est. 49.6, prior 49.7
- 03:00: (US) Feb. Interest on Reserve Balances R, actual 4.65%, est. 4.65%, prior 4.40%
- 03:00: (US) Feb. FOMC Rate Decision (Lower Boun, actual 4.50%, est. 4.50%, prior 4.25%
- 03:00: (US) Feb. FOMC Rate Decision (Upper Boun, actual 4.75%, est. 4.75%, prior 4.50%
- 20:30: (US) Jan. Challenger Job Cuts YoY, prior 129.1%
- 21:30: (US) Jan. Continuing Claims, est. 1.68m, prior 1.68m
- 21:30: (US) 4Q Unit Labor Costs, est. 1.5%, prior 2.4%
- 21:30: (US) 4Q Nonfarm Productivity, est. 2.4%, prior 0.8%
- 21:30: (US) Jan. Initial Jobless Claims, est. 195,000, prior 186,000
- 23:00: (US) Dec. Cap Goods Orders Nondef Ex Air, prior -0.2%
- 23:00: (US) Dec. Cap Goods Ship Nondef Ex Air, prior -0.4%
- 23:00: (US) Dec. -Less Transportation, est. -0.1%, prior -0.1%
- 23:00: (US) Dec. Factory Orders Ex Trans, est. 0.2%, prior -0.8%
- 23:00: (US) Dec. Factory Orders, est. 2.3%, prior -1.8%
- 23:00: (US) Dec. Durable Goods Orders, est. 5.6%, prior 5.6%

### EARNINGS:

- ANA Holdings Inc. (9202 JP)
- Berger Paints India Ltd. (BRGR IN)
- Chugai Pharmaceutical Co. (4519 JP)
- Dabur India Ltd. (DABUR IN)
- Godrej Properties Ltd. (GPL IN)
- Hankook Tire & Technology Co. L (161390 KS)
- Housing Development Finance Co. (HDFC IN)
- Ibsiden Co. (4062 JP)
- Japan Airlines Co. (9201 JP)
- KDDI Corp. (9433 JP)
- Kakaku.com Inc. (2371 JP)
- Kao Corp. (4452 JP)
- Konami Group Corp. (9766 JP)
- Kurita Water Industries Ltd. (6370 JP)

- Meritz Financial Group Inc. (138040 KS)
- Meritz Securities Co. (008560 KS)
- Mitsubishi Electric Corp. (6503 JP)
- Mitsubishi UFJ Financial Group (8306 JP)
- Mizuho Financial Group Inc. (8411 JP)
- MonotaRO Co. (3064 JP)
- Murata Manufacturing Co. (6981 JP)
- Nippon Sanso Holdings Corp. (4091 JP)
- Panasonic Holdings Corp. (6752 JP)
- Rohm Co. (6963 JP)
- Sony Group Corp. (6758 JP)
- Sumitomo Electric Industries L (5802 JP)
- Takeda Pharmaceutical Co. (4502 JP)
- Tata Consumer Products Ltd. (TATACONS IN)
- Titan Co. (TTAN IN)
- Z. Holdings Corp. (4689 JP)

### CORPORATE EVENTS

- Other Shareholder Events: 002541 CH, 601888 CH
- Earnings Calls: 161390 KS, 2412 TT, 3003 JP, 4502 JP, 4689 JP, 6806 JP, 9433 JP, BHE IN, BRGR IN, BRIT IN, CLAR SP, DABUR IN, GPL IN, HDFC IN, KEP SP, TTAN IN
- Sales Results: 9983 JP

### CONFERENCES:

- No major conferences scheduled

To contact the reporters on this story:

Hideyuki Sano in Tokyo at [hsano16@bloomberg.net](mailto:hsano16@bloomberg.net);

Faseeh Mangi in Karachi at [fmangi@bloomberg.net](mailto:fmangi@bloomberg.net)

To contact the editors responsible for this story:

Lianting Tu at [ltu4@bloomberg.net](mailto:ltu4@bloomberg.net)

Jiyeun Lee, Beth Thomas

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