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Pakistan Stocks Set for Best Week Since 2020 on IMF Optimism

- Authorities also plan mini budget to raise taxes: Alpha Beta
- Rupee hit another record low Friday while dollar bonds rose

By Karl Lester M. Yapand Ronojoy Mazumdar

(Bloomberg) -- Pakistan's stocks are set for their best week in almost three years amid optimism that the nation is closing in on aid from the International Monetary Fund. Dollar bonds rose Friday while the rupee slid to another record low.

The benchmark KSE-100 Index has rallied 6% in the past five days to head for its biggest weekly gain since April 2020. But even with the advance, the index is still more than 12% below the peak set last April.

Investors have dialed back bearish bets on Pakistan after authorities took steps aimed at persuading the IMF to resume a \$6.5 billion bailout. Apart from unshackling the dollar-rupee rate, the government is also planning a mini budget to raise taxes, said Khurram Schehzad, chief executive officer of Alpha Beta Core Solutions Pvt., a financial consultancy in Karachi.

"The key positive trigger is the government's willingness to meet IMF conditions," said Ruchir Desai, an equities fund manager at Asia Frontier Capital Ltd. in Hong Kong. "That will lead to IMF money coming through and that will unlock more funding from other friendly countries. That's what the market is looking at."



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The optimism was also reflected in the credit market, with Pakistan's dollar bonds due 2031 indicated 0.5 cents higher at 42.2 cents on the dollar in a second day of gains. In contrast, the rupee tumbled to an all-time low of 259.71 to the greenback, according to data compiled by Bloomberg.

Pakistan's currency may weaken past 300 in the near term after authorities removed a cap on the dollar-rupee exchange rate, according to Tellimer Ltd., a firm that specializes in emerging-market research. Yousuf Saeed, head of research at Darson Securities Ltd., says it could drop to 275 to 280.

A bailout from the IMF will help keep the economy afloat as Prime Minister Shehbaz Sharif battles power outages, a shrinking supply of dollars and political tensions that threaten to sink the nation deeper into a crisis. An IMF team is set to visit Pakistan from Jan. 31 for talks aimed at disbursing a loan to the nation.

"Letting the rupee float shows they are pushed to meet IMF demands and that's giving market sentiment a boost," said Ankur Shukla, an economist at Bloomberg Economics in Mumbai. "IMF loans are very crucial right now. Without it, default is inevitable."

(Updates prices throughout and adds economist comment in last paragraph)

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