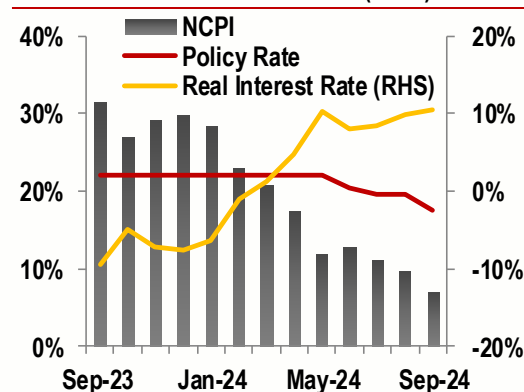


Oct'24 NCPI to edge lower to 6.6%YoY/0.8%MoM

- › We expect headline inflation for the month of Oct'24 to clock-in at 6.6%YoY/0.8%MoM, taking the cumulative NCPI for FY25 TD to 8.6%YoY; driven largely by higher food prices. Moreover, some sticky core segments may also contribute to the MoM up-tick in the general price level like Health (3% weight); Recreation (2% weight); Education (4% weight); Restaurants & Hotels (7% weight); and the Miscellaneous group (5% weight), respectively.
- › Elsewhere, we anticipate muted impact from the transport segment (6% weight) given relatively stable fuel prices during the month, despite earlier expectations of surge in the cost of supply or the imposition of a higher petroleum levy. In fact, transport index is expected to drop 5.6% on a YoY basis in Oct'24. Further, with the international oil prices remaining bearish, we expect fuel prices in the country to register further cuts next month, translating into lower readings for the purposes of the NCPI.
- › In addition, contribution from the Utilities segment (24% weight) is also expected to remain flat due to no significant revisions/adjustments to either gas or electricity tariffs in Oct'24. However, upward adjustments are due in the form of FCAs as well as semi-annual adjustment in gas tariffs, having an inflationary effect.
- › Going forward, apart from the effects discussed above we believe approaching winter months may cause some supply disruptions in case of food items keeping food inflation at elevated levels or unchanged over the next few months.

National Consumer Price Index (NCPI)



Source: PBS and TSL Research

Monetary Policy Announcements History

MPS Date	Stance	Effective Policy Rate
12-Jun-23	Unchanged	21.00%
26-Jun-23	+100bps	22.00%
31-Jul-23	Unchanged	22.00%
14-Sep-23	Unchanged	22.00%
30-Oct-23	Unchanged	22.00%
12-Dec-23	Unchanged	22.00%
29-Jan-24	Unchanged	22.00%
18-Mar-24	Unchanged	22.00%
29-Apr-24	Unchanged	22.00%
10-Jun-24	-150bps	20.50%
29-Jul-24	-100bps	19.50%
12-Sep-24	-200bps	17.50%

Source: SBP and TSL Research

Mustafa Mustansir AC

mustafa@taurus.com.pk

92-021-35216403

NCPI Preview Oct'24		National Consumer Price Index (NCPI)				
Groups	Weights (%)	Oct-24	Sep-24	Oct-23	MoM %	YoY %
Food & non-alcoholic beverages	35%	280.9	276.9	280.3	1.5%	0.2%
Alcoholic beverages, etc.	1%	391.6	385.2	362.2	1.6%	8.1%
Clothing & footwear	9%	246.8	246.1	215.3	0.3%	14.6%
Housing, utilities, etc.	24%	235.2	235.5	200.7	-0.1%	17.2%
Furniture & household equipment	4%	269.6	269.4	255.9	0.1%	5.4%
Health	3%	256.4	252.7	228.4	1.5%	12.2%
Transport	6%	304.4	304.3	322.3	0.0%	-5.6%
Communication	2%	134.6	134.8	120.1	-0.2%	12.1%
Recreation & culture	2%	277.1	273.8	255.8	1.2%	8.3%
Education	4%	206.8	201.8	183.7	2.5%	12.5%
Restaurants & Hotels	7%	279.6	275.6	256.5	1.5%	9.0%
Miscellaneous	5%	295.9	295.0	263.0	0.3%	12.5%
General	100%	263.1	261.0	246.7	0.8%	6.6%

Source: PBS & TSL Research

150bps cut likely in the Nov'24 MPC meeting

Latest Cut-off Yields (%) for T-Bills

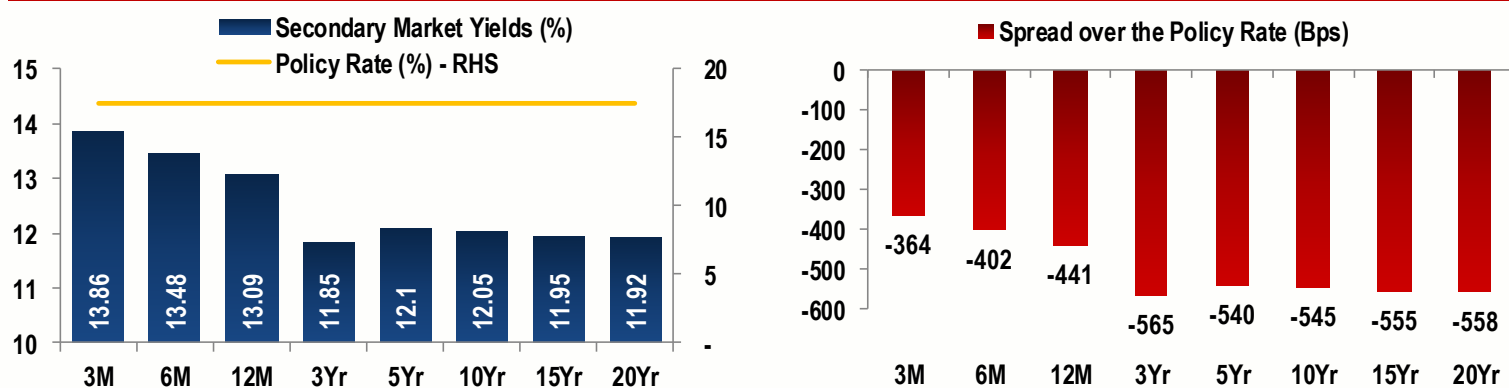
Auction	3M	6M	12M
4-Sep-24	17.48%	17.74%	17.00%
18-Sep-24	BR	BR	BR
2-Oct-24	BR	14.40%	13.73%
16-Oct-24	15.30%	14.34%	13.73%

Source: State Bank of Pakistan

*BR means bids rejected

- State Bank of Pakistan's monetary policy committee (MPC) is scheduled to meet on Monday, November 04, 2024, wherein we expect the MPC to cut the benchmark policy rate by **150bps to 16.00%**.
- Our stance takes cue primarily from the cautious approach to monetary easing adopted by the MPC in light of the perceived risks to inflationary expectations as well as the adverse effects of rapid easing. To note, the MPC remains cognizant about the uncertainty related to the timing of hikes in the utility tariffs as well as the geopolitical risks to global commodity prices, and the supply situation for food items.
- Nevertheless, in terms of market expectations, cut-off yields on T-Bills are down 218bps (3M), 340bps (6M), 326bps (12M), respectively as of the latest auction since the last monetary policy announcement, pointing strongly towards a bigger rate cut. The spread is even higher if we consider secondary markets yields. Meanwhile, the 3M KIBOR is also hovering ~15% at the moment.
- However, our base case assumes NCPI in FY25 to average ~8%YoY compared to the IMF's projection of 9.5%YoY. Wherein, the trajectory for NCPI is likely to pick-up during 1HCY25 in particular due to the base effect. Consequently, we expect the SBP to cut the policy rate by 150bps next week, following up the same with another 200bps rate cut either in Dec'24 or earlier next year, and holding the policy rate unchanged at i.e. 14.00% up to the end of FY25.

Secondary Market Yields on GOP Securities versus the Policy Rate



Source: MUFAP, State Bank of Pakistan and TSL Research

As of October 28, 2024

SECP Research Entity Notification Number: REP-040

Analyst Certification

The research analyst(s), if any, denoted by AC on the cover of this report, who exclusively reports to the research department head, primarily involved in the preparation, writing and publication of this report, certifies that (1) the views expressed in this report are unbiased and independent opinions of the Research Analyst which accurately reflect his/her personal views about all of the subject companies/securities and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

The research analyst or any of its close relatives do not have a financial interest in the securities of the subject company aggregating more than 1% of the value of the company and the research analyst or its close relative have neither served as a director/officer in the past 3 years nor received any compensation from the subject company in the past 12 months. The Research analyst or its close relatives have not traded in the subject security in the past 7 days and will not trade in next 5 days.

Disclaimer

This report has been prepared by Taurus Securities Ltd (hereinafter referred as TSL) and is provided for information purposes only. Under no circumstances is to be used or considered as an offer to sell or solicitation of any offer to buy. While all reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. This report is provided solely for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Statements regarding future prospects may not be realized while all such information and opinions are subject to change without notice. TSL recommends investors to independently evaluate particular investments and strategies and it encourages investors to seek the advice of a financial advisor.

Investments in capital markets are subject to market risk and TSL accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular need of individuals, who should seek further advice before making any investment or rely upon their own judgment and acumen before making any investment. The views expressed in this document are those of the TSL Research Department and do not necessarily reflect those of TSL or its directors.

TSL may, to the extent permissible by applicable law or regulation, use the above material, conclusions, research or analysis in which they are based before the material is disseminated to their customers.

TSL, as a full-service firm, has/intends to have business relationships, including investment-banking relationships, with the companies in this report. Investors should be aware of that the TSL may have a conflict of interest that could affect the objectivity of the report. Investors should consider this report as only a single factor in making their investment decision.

TSL claims responsibility for Research or other publication disseminating ONLY through its official channels (email address, TSL Web etc.) and DOES NOT take ownership/responsibility for report(s) circulated through other sources (social media, website, blogs etc.) under the name of the organization. TSL Management reserves the right to take action against unauthorized reproduction, distribution or publication of its reports.

Disclosure of Financial Interest

TSL or any of its officers and directors does not have a significant financial interest (above 1% of the value of the securities of the subject company) in the securities of the subject company. However, NBP and BOK, being associates of TSL, may trade or have significant financial interest, under normal course of business, in the subject company from time to time. Under normal course of business, TSL, their respective directors, officers, representatives, employees and/or related persons may have a long or short position in any of the securities or other financial instruments mentioned or issues described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale of any such securities or other financial instruments from time to time in the open market or otherwise. TSL or its employees may trade contrary to the recommendation given by TSL Research through this report or any other. TSL may be providing, or have provided within the previous twelve months, significant advice or brokerage services to the subject company. TSL may have, within the past twelve months, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all, the entities mentioned in this report or received compensation for corporate advisory services, brokerage services or underwriting services from the subject company. TSL or any other of its officers and directors have neither served as a director/officer in any company under TSL research coverage in the past 3 years nor received any compensation from the subject company in the past 12 months.

TSL Research Dissemination Policy

Taurus Securities Ltd. endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

Taurus Stock Rating System

TSL employs a 3-tier rating mechanism i.e 'BUY', 'HOLD' and 'SELL', which is based upon the level of expected return for a specific stock. When total return (capital gain + dividends) exceeds 16%, a 'BUY' rating is assigned. A 'SELL' rating is issued whenever total return is less than -6% and for return in between the 2 ranges, 'HOLD' rating is meted out. Different securities firms use a variety of rating terms/systems to describe their recommendations. Similar rating terms used by other securities companies may not be equivalent to TSL rating system.

Time horizon is usually the annual financial reporting period of the company (unless otherwise mentioned in the report). Ratings are updated daily and can therefore change daily. They can change because of a move in the stock's price, a change in the analyst's estimate of the stock's fair value, a change in the analyst's assessment of a company's business risk, or a combination of any of these factors. In addition, research reports contain information carrying the analyst's views and investors should carefully read the entire research report and not infer its contents from the rating ascribed by the analyst. In any case, ratings or research should not be used or relied upon as investment advice. An investor's decision to buy, sell or hold a stock should depend on individual circumstances (such as the investors existing holdings or investment objectives) and other considerations.

Target price risk disclosures

Any inability to compete successfully in the markets may harm the business. This could be a result of many factors which may include (but not limited to) geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company may enter into transactions, including transactions in derivative instruments, to manage/offset certain of these exposures.

Valuation Methodology

To arrive at our period end target prices, TSL uses different valuation methodologies including

- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

SECP JamaPunji Portal link: <https://jamapunji.pk/>

Frequently Used Acronyms

TP	Target Price	DCF	Discounted Cash Flows	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DDM	Dividend Discount Model
SOTP	Sum of the Parts	P/E	Price to Earnings ratio	P/Bv	Price to Book ratio
P/S	Price to Sales	EVA	Economic Valued Added	BVPS	Book Value per Share
EPS	Earnings per Share	DPS	Dividend per Share	DY	Dividend Yield