

Pakistan Market | MSCI

Nov 04, 2024

REP-057

MSCI Nov 2024 Review

Few Pakistan stocks likely to be added



Best Brokerage House
2016, 2017, FY20 (Winner)
FY22 (Runner Up)

ASIAMONEY

Best Local Brokerage House
Brokers Poll 2016 to 2023



Best Brokerage House
2018, 2019 & 2020



Best Research House
2019, 2020 & 2023



Best Brokerage House
2021

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MSCI Review – Pakistan weight may increase

MSCI Frontier Market Threshold used for different reviews

US\$m	Free Float Market Cap	Total Market Cap
Nov-21	101	1,189
May-22	91	1,070
Nov-22	73	883
Feb-23	71	1,006
May-23	73	1,033
Aug-23	56	112
Feb-24	57	114
May-24	63	126
Aug-24	69	138

Source: MSCI

MSCI Pakistan Frontier Market Index

OGDC	SYS	ILP
MARI	FFC	SNGP
PPL	HUBC	NBP
LUCK	EFERT	SAZEW
MCB	MTL	
UBL	BAFL	
ENGRO	PSO	
HBL	TRG	
POL	BAHL	

Source: MSCI

- MSCI is scheduled to announce its November 2024 Index review on Nov 06, 2024, with effective date of Nov 26, 2024.
- Based on details updated on the MSCI website, in last review of Aug 2024, the minimum threshold of free float and total market cap for the selection of frontier market stocks was US\$69mn and US\$138mn, respectively.
- To note, in last 2 reviews, MSCI has increased its threshold requirement by average 10% in each review, see the accompanied table for details.
- Any change in this threshold is not known until the results are announced for that particular review and it is generally updated every quarter.
- We have assumed 10% increase in threshold requirement from US\$69mn to US\$76mn for free float and US\$152mn for full market cap.
- Likely Additions in Nov 2024 Review:** In Nov 2024, we expect likely addition of 4 stocks namely Fauji Cement (FCCL), Cherat Cement (CHCC), Fauji Fertilizer Bin Qasim (FFBL), and Kohat Cement (KOHC). The free float market cap of these stocks as of Oct 31, 2024 is US\$101mn, US\$106mn, US\$107mn, and US\$79mn, three of these are much higher than anticipated free float threshold of US\$77mn.
- There are also two other companies with free float exceeding US\$69mn (previous criteria), i.e. Pioneer Cement (PIOC) US\$71.6mn, and Fatima Fertilizer (FATIMA) US\$72.4mn. If free float threshold requirement is not enhanced by our assumed 10%, the addition of any of these can not be ruled out.
- Deletions in Nov 2024 review:** As TRG was retained in last review under the buffer rule (we believe), the free float market cap of TRG now improved to US\$70.7mn. Interloop (ILP) free float is also lower at US\$63mn. We believe, both of the stocks would be retained under the buffer rule.
- Pakistan weight to increase by 50-70bps:** Pakistan weight is likely to increase to 5.0-5.2% from earlier 4.4-4.6% after likely addition of above 4 scrips and increase in market cap of existing constituents by ~12%.
- Inflow estimation:** Theoretically, due to increase in weight by ~50-70bps and assuming AUM size of US\$5bn tracking MSCI FM index, we expect gross inflows of US\$25-30mn. However, since most of the frontier funds are active, so materialization of inflows may vary.

MSCI Stocks – Free float and market cap data

Working of stocks based on free float, total market cap and ATVR criteria (US\$mn)

S.No	Stock	Free Float as of Oct 31, 2024	Full market cap as of Oct 31, 2024
1	OGDC	399	2,663
3	MARI	351	1,755
4	PPL	340	1,385
5	LUCK	279	931
6	MCB	364	1,041
7	UBL	549	1,374
8	ENGRO	289	578
9	HBL	276	690
10	POL	268	585
11	SYS	310	517
12	FFC	708	1,288
13	HUBC	362	483
14	EFERT	419	931
15	MTL	167	372
16	BAFL	167	372
17	PSO	169	375
18	TRG	71	101
19	BAHL	301	431
20	ILP	63	315
21	SNGP	77	172
22	NBP	110	461
23	SAZEW	80	227
24	FCCL	101	287
25	FFBL	107	304
26	KOHC	79	262
27	CHCC	106	176
28	PIOC	72	159
29	FATIMA	72	483

Source: Topline Research, PSX

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Neutral	Stock will perform in line with the average total return of stocks in universe
Sell	Stock will underperform the average total return of stocks in universe

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Market Weight	= Weight in KSE-100 Index
Under Weight	< Weight in KSE-100 Index

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