

Monthly Market Perspectives

August 2026 – PSX up 0.5%MoM – (882 points)

- War in the Middle-East far from settled, as the US imposes harsher sanctions on Iran.
- Global oil prices continue to remain volatile, amid fluid geopolitical conditions.
- Pakistan, Saudi Arabia & Turkiye sign “Mecca Joint Defence Agreement”.
- Moody’s upgrades Pakistan’s credit rating to “B3” with a ‘Stable’ outlook.
- IMF staff scheduled to visit in September for the 4th EFF review.
- Tensions rise in domestic politics as AJK elections conclude; PTI announces ‘long-march’.

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Taurus research is available on Bloomberg under TAUR, on Capital IQ and AlphaSense.

Date of Publication: August 31, 2026

Price as of: August 31, 2026

KSE-100 index up 0.5%MoM in Aug 2026 (+882 points)

Monday, August 31, 2026

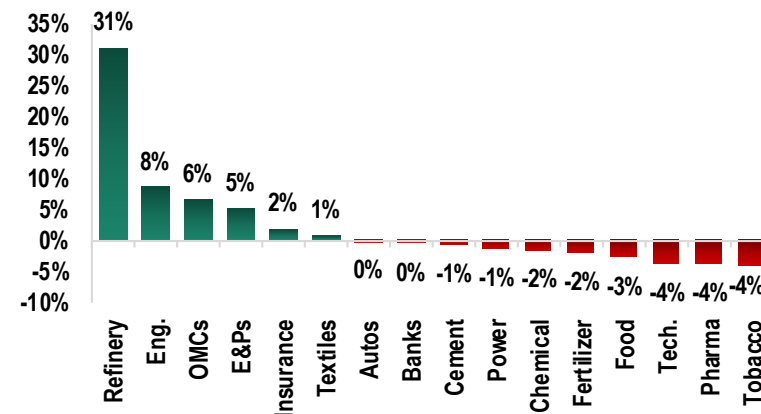
Monthly Index Performance:

- KSE-100 index closed at 176,976 as of Aug'26, up 0.5%MoM (+882 points). Net FIPI outflow clocked-in USD 19.89Mn during Aug'26.
- **Average value traded in Aug'26:** PKR 37.1Bn – down 1%MoM.
- **Average volume traded in Aug'26:** 785.7Mn shares – down 6%MoM.

Key triggers for the market during Aug'26:

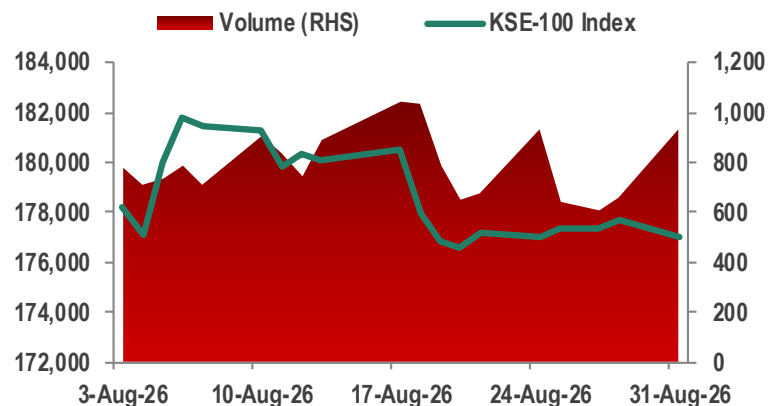
- Pakistan, Saudi Arabia & Turkiye sign Joint Defence Agreement in Mecca.
- US-Iran war far from settled as the US imposes harsher economic sanctions.
- Pakistan & Qatar put in efforts to revive diplomatic channels to end the war.
- Moody's upgraded Pakistan's credit rating to "B3" with a 'Stable' outlook.
- Geo-politics keep oil prices volatile. Wherein, Brent was up 10%MoM while Arab Light dropped 4%MoM. Local MS prices are up 2%MoM. However, HSD prices fell ~5%MoM mainly due to the Government capping HSD crack spreads at USD 41.89/bbl. Dealers margin increased ~16% to PKR 9.98/litre.
- IMF staff is scheduled to visit next month for the 4th EFF review.
- NCPI arrived at 9.2%YoY in Jul'26; Aug'26 NCPI expected at 10.6%YoY.
- CA posted a deficit of USD 328Mn in Jul'26. Trade deficit up 17%YoY.
- Settlement of PKR 1.49Trn outstanding gas circular debt on cards.
- PML(N) emerges majority party in AJK elections.
- PTI announces a 'long-march' towards Islamabad on September 27, 2026.

Major Sector-wise return - Aug'26



Source: PSX & TSL Research

KSE-100 Index Performance - Aug'26



Source: PSX, TSL Research

KSE-100 Index was up 882 points, closing at 176,976 points

- The KSE-100 index remained range-bound during the month, trading between 176,000-182,000 points. Wherein, geo-political events continued to influence investor sentiment largely with the index posting gains on news of Pakistan, Saudi Arabia & Turkiye Joint Defence Agreement, as well as Moody's upgrading Pakistan's sovereign credit rating to 'B3' with a Stable outlook. Other positives included talk of potential resolution of PKR 1.49Trn in gas sector circular debt, and movement driven on account of positive earnings announcements.
- Nevertheless, volatile oil prices amid the ongoing US-Iran conflict were a drag on the index. Pressure was also witnessed due to upheaval in domestic politics due to the AJK elections, law & order situation in Balochistan, KP and AJK, and the chaos surrounding the health of the PTI Founder Imran Khan.

Geopolitical uncertainty as US-Iran conflict remains unsettled

- Despite substantial diplomatic efforts by Pakistan, Qatar and other friendly countries, the conflict remains far from settled with the US President Donald Trump renouncing talks and focusing on punishing Iran economically by imposing secondary sanctions on countries & institutions trading/facilitating Iran. Elsewhere, some improvement in traffic was noted in the Strait of Hormuz bringing relief to the global oil prices. However, the recent US attack on Iran's Larak Island sent global crude benchmarks upwards again.

- In another major development, the US has signed a 25 year deal securing control of more than 65Bn barrels of proven oil reserves of Venezuela. The agreement is set to enable the US replenish its strategic oil reserves, in return for US investment in developing the same, as well as increasing Venezuela's output to 1.5Mb bpd.

Government moves to cap HSD crack spreads at USD 41.89/bbl.

- In order to provide relief to the vulnerable sectors of the economy the Federal Government has capped the crack spread on HSD at USD 41.89/bbl. (amid soaring global cracking spreads to over USD 100/bbl.). Resultantly, HSD retail prices are down 5%MoM. The cap is expected to remain in place until normalization of the global energy markets.

Inflation expectations subject to multiple upside risks

- NCPI expectations for FY27 remain subject to multiple upside risks including: i) food (supply driven shocks mainly); and ii) surge in domestic energy prices. To recall, the Government has introduced daily fuel price mechanism for MS & HSD retail prices in the country. The latter has increased uncertainty with respect to long-term planning and cost management for dealers. Hence, Dealers margin was increased ~16% to PKR 9.98/litre in response to calls for country-wide strikes by pump stations.
- Fresh disruptions in the Strait of Hormuz also remain at play unless a long-term settlement is reached between the US & Iran.

External account reflects stability despite some pressure

- Current Account posted a deficit of USD 328Mn in Jul'26 compared to a deficit of ~USD 529Mn in the SPLY and USD 814Mn in Jun'26, narrowing 60%MoM/38%YoY on the back of increase in the exports along with remittances which were up 17%MoM and 4%MoM, respectively. Wherein, Jul'26 trade deficit widened to USD 3.1Bn, up ~17%YoY due to pressure from imports. Elsewhere, Jul'26 FDI fell ~20%YoY to USD 179Mn – showing a decline of USD 45Mn over the SPLY. Similarly, profit repatriation declined ~11%YoY to USD 261Mn in Jul'26. Finally, REER index increased to 107.92 in Jul'26, up 8%YoY.
- Nevertheless, SBP's FX reserves hovered ~USD 17.1Bn mark during the month, with negligent pressure on the Rupee. Consequently, Moody's upgraded Pakistan's sovereign credit rating from "Caa1" to "B3" with a 'Stable' outlook, a testament to improving macroeconomic fundamentals of the country.

IMF staff to visit next month for the 4th EFF review

- The IMF staff is scheduled to visit next month for 4th EFF review in order to assess Pakistan's economic performance for the Jan-Jun 2026 period and initiate negotiations for the release of the next tranche under the EFF, as well as the RSF. However, the IMF has asked Pakistan to mobilize an additional PKR 430Bn in taxes from the provinces. Separately, the IMF has so far declined Pakistan's proposal to reduce electricity (during specific hours) and gas prices, with negotiations on both matters still ongoing.

Gas sector circular debt settlement on cards

- As per the [news sources](#), the Petroleum Division has submitted a plan to the Cabinet Committee of Energy to settle PKR 1.49Trn out of PKR 3.6Trn in outstanding gas sector circular debt out of which; i) PKR 540Bn will come in the form of incremental dividends from OGDC, PPL and Government Holdings (Pvt.) Ltd; ii) PKR 270Bn would be collected from oil consumers in the form of additional PDL amounting to PKR 5/litre over a period of 3 years; and iii) PKR 590Bn to be generated through a reduction/ diversion of LNG cargoes, & reductions in the forced curtailments of gas.

Challenges to achieving higher growth

- Higher inflation & taxes have been a drag on growth for some years, exacerbated by the lackluster performance of the Agriculture sector. At the same time, substantial FDI also remains absent amid internal political and security turmoil. For context, widespread protests took place amid AJK elections during the month, wherein PML(N) emerged as the largest party.
- Further, armed forces have been deployed in Rawalpindi for six months in order to tackle any undesirable situation. Moreover, PTI has also announced a massive long-march towards Islamabad on September 27, 2026 – demanding the release of Imran Khan. Elsewhere, the security situation in Balochistan & KP remained fragile with continuing terrorist attacks & counter responses by the armed forces of Pakistan during the month.

Economic Update – LSMI up 4.98% in FY26; Jul'26 CA posts USD 328Mn deficit

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Jun'26 LSMI down 6.08%MoM / 3.48%YoY

- Large Scale Manufacturing Index (LSMI) was down 6.08%MoM in Jun'26, wherein major decliners were Other Manufacturing—Football (-39%YoY), Furniture (-21%YoY) and Pharmaceuticals (-18%YoY), respectively. FY26 LSMI was up 4.98%YoY; higher energy cost is likely to put some pressure on industrial growth, going forward.

NCPI arrived at 9.2%YoY in Jul'26; Aug'26 NCPI expected at 10.6%YoY

- Jul'26 NCPI arrived at 9.2%YoY. Aug'26 NCPI is expected at 10.6%YoY mainly due to a lower base, uptick in food prices & certain core segments.

FBR tax collection exceeds Jul'26 target by ~PKR 40Bn

- FBR collected PKR 820Bn in Jul'26 against the target of PKR 780Bn, up ~PKR 40Bn. To note, the tax collection target for FY27 stands at PKR 15.264Trn. Further, retailers brought into the tax net is also up 31%.

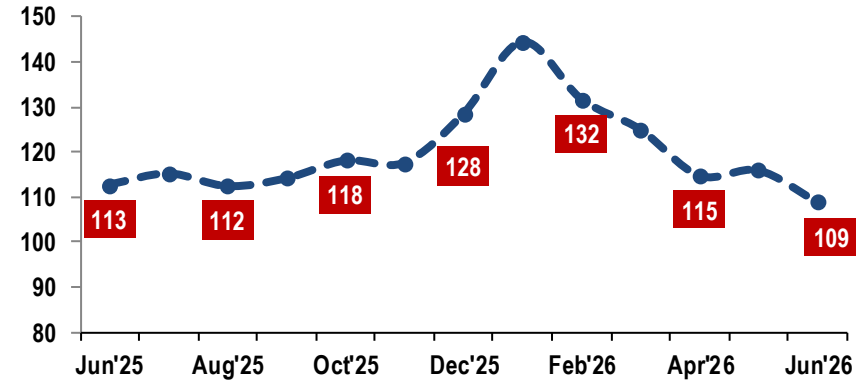
Current account posts a deficit of ~USD 328Mn in Jul'26

- CA posted a deficit of USD 328Mn in Jul'26; down ~60%MoM mainly due to increase in the exports including Textile along with remittances up 17%MoM and 4%MoM, respectively. Energy imports also declined 29%MoM in Jul'26.

PKR continued to hold firm on the back of stable FX reserves

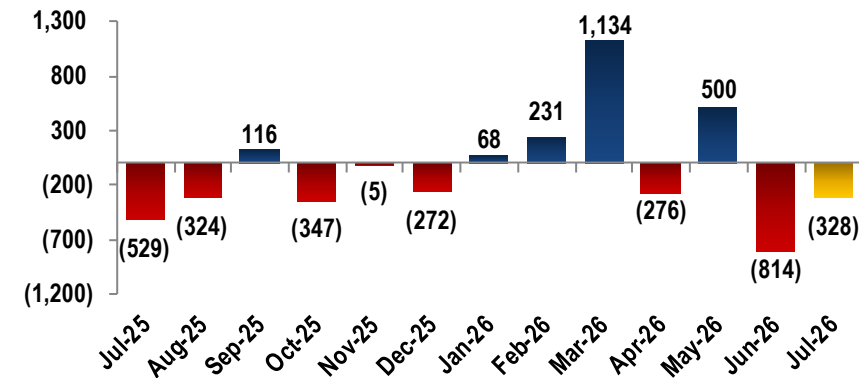
- PKR/USD currently hovers ~PKR 278/USD level mainly on the back of stable FX reserves and positive external outlook for Pakistan, going forward. However, risks to the external outlook remain high due to volatile global energy prices, and slowdown in realization of planned official FX inflows.

LSMI down 6.08%MoM / 3.48%YoY - FY26 LSMI up 4.98%YoY



Source: PBS & TSL Research

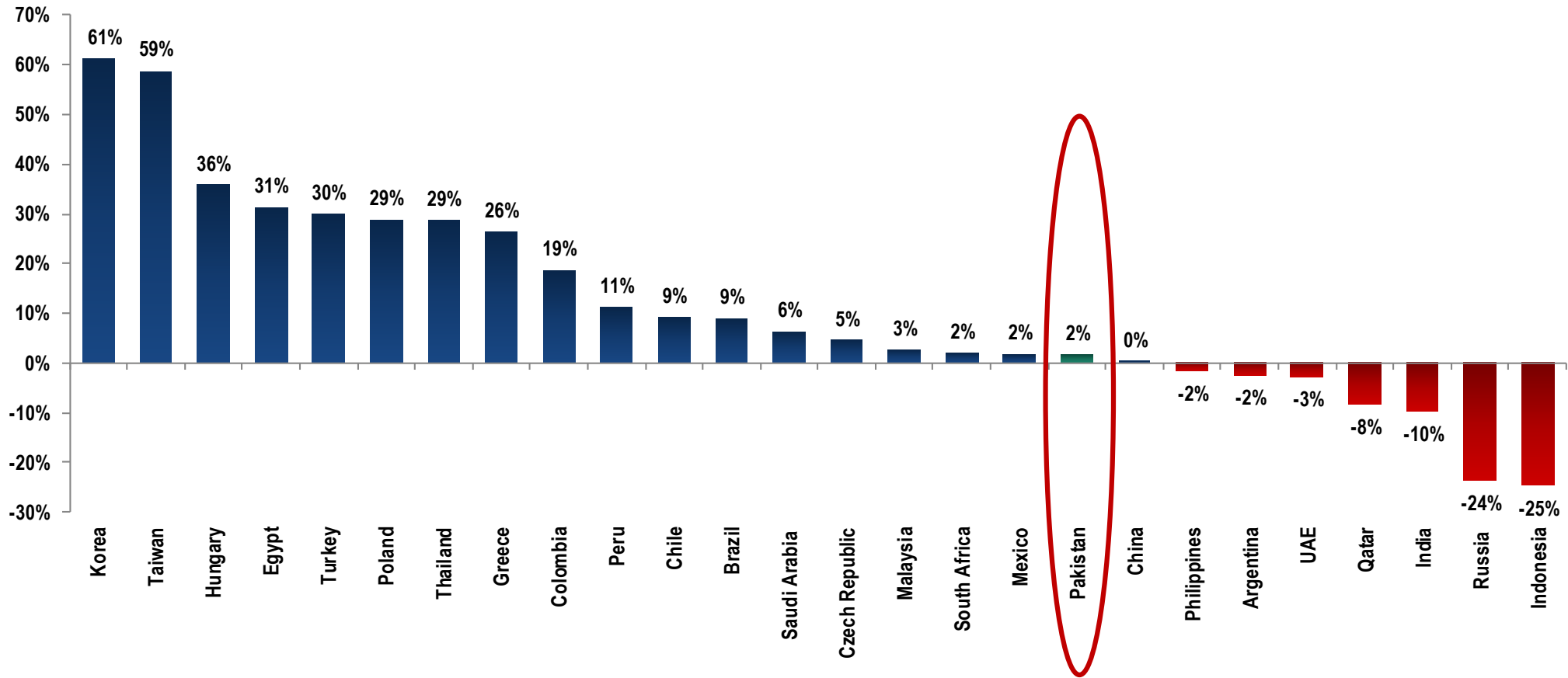
Monthly Current Account Balance (USD Mn)



Source: SBP & TSL Research

Emerging Markets Performance – CY26 TD – PSX up 2%

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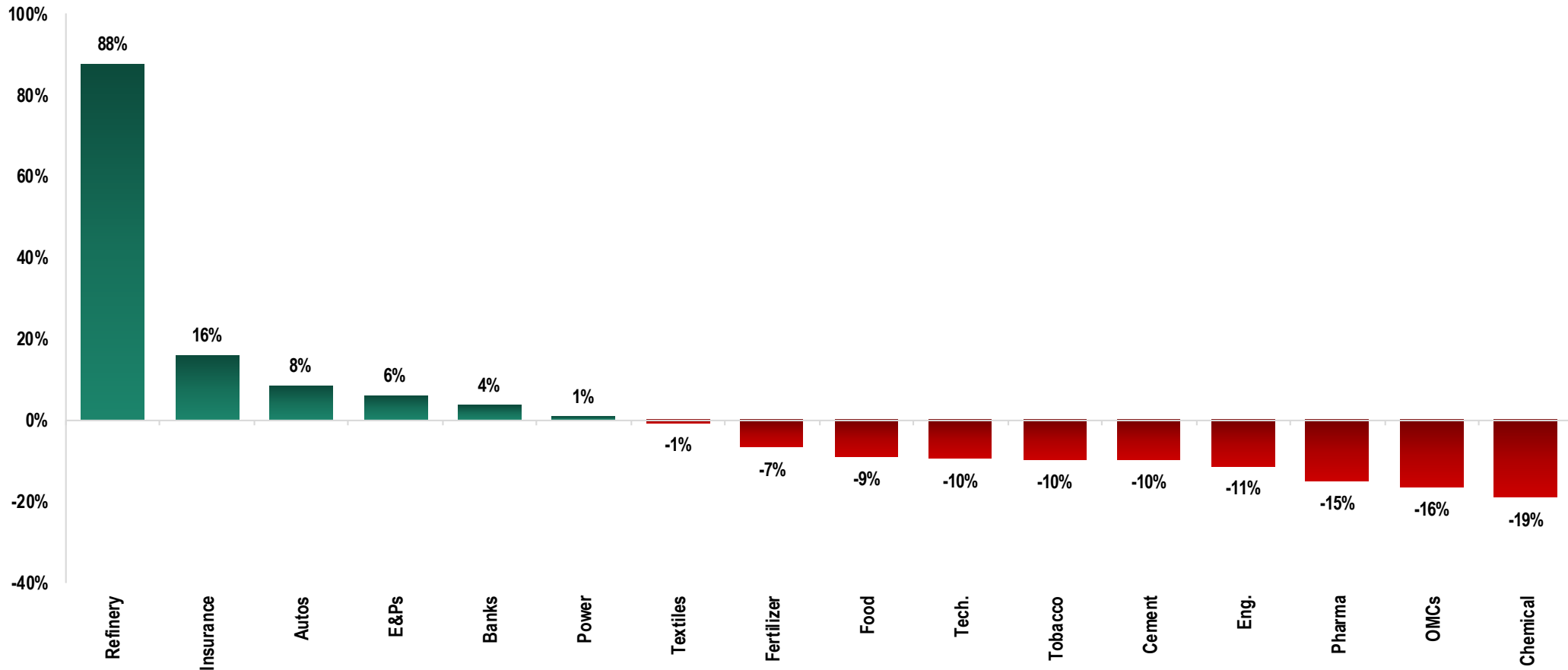


Source: Investing.com & TSL Research

As of Aug 31, 2026 close

KSE-100 Index CY26 TD Return for Major Sectors

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Source: PSX & TSL Research

Foreign Portfolio Investment Flows for Aug'26

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Aug'26 Portfolio Flows - FIPI vs LIPI (USD Mn)												
Sectors	FIPI			LIPI								
	Gross Buy	Gross Sell	Net.	Banks	Broker	Comp.	Indivi.	Insur.	Funds	NBFCs	Others	Net.
Cement	27.27	-30.92	-3.65	-6.48	0.22	6.95	4.62	-0.32	-1.37	0.02	0.01	3.65
Banks	32.95	-43.30	-10.35	-5.28	-1.23	8.76	1.57	-1.63	7.54	-0.00	0.63	10.35
Technology	15.45	-21.29	-5.84	-1.71	0.34	0.26	8.45	-0.25	-1.22	0.01	-0.05	5.83
Textile	2.56	-2.04	0.51	-0.84	-0.01	1.31	-0.13	0.03	-0.93	0.01	0.05	-0.51
Fertilizer	4.56	-5.13	-0.56	-2.59	0.01	0.82	4.89	-0.15	-1.99	-0.02	-0.41	0.56
Others	82.07	-82.24	-0.17	-10.85	3.29	2.26	4.32	0.05	1.08	-0.28	0.28	0.16
OMC	19.55	-23.46	-3.91	-0.71	0.66	-3.67	-1.34	0.70	8.23	-0.13	0.15	3.89
E & P	27.72	-23.89	3.83	-8.65	-0.45	1.09	4.58	-0.76	-0.35	0.05	0.67	-3.82
Power	13.48	-13.66	-0.18	-2.25	0.52	1.77	5.50	-3.17	-1.85	-0.01	-0.33	0.18
Food	8.59	-8.39	0.20	-0.05	0.81	0.26	-0.71	0.21	-0.46	-0.02	-0.23	-0.20
Debt Market	0.00	0.00	0.19	86.46	-0.02	1.05	0.87	3.16	-98.22	0.01	6.50	-0.19
Total	234.19	-254.32	-19.89	47.05	4.16	20.85	32.62	-2.15	-89.54	-0.37	7.27	19.89

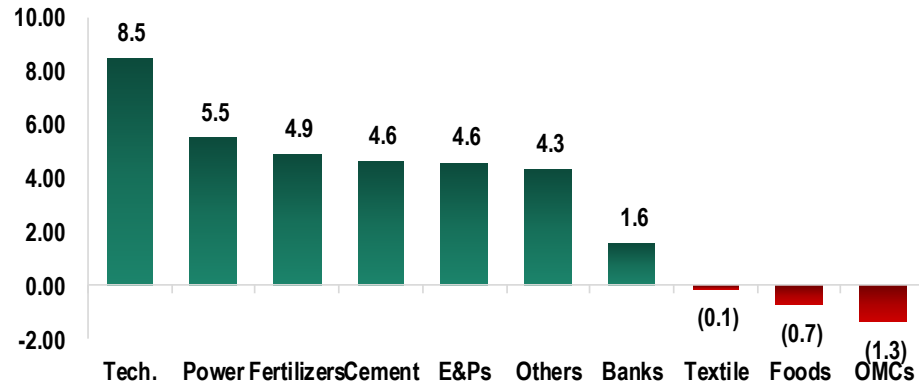
Source: NCCPL & TSL Research

- *Foreigners (including overseas Pakistanis) were net sellers of USD 19.89Mn worth of shares.*
- *Banks were the biggest buyers on the local front followed by Individuals & Companies.*
- *Mutual Funds were the biggest sellers on the local front followed by NBFCs.*

Local Investment Portfolio Flows during Aug'26

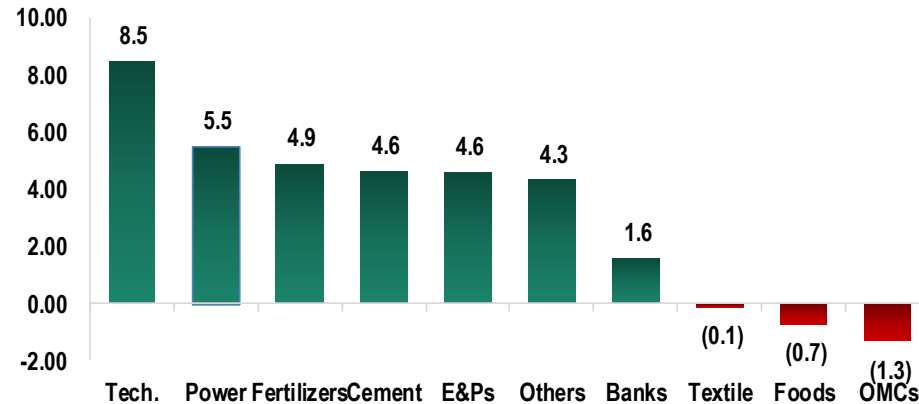
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Mutual Fund activity for the month (USD Mn)



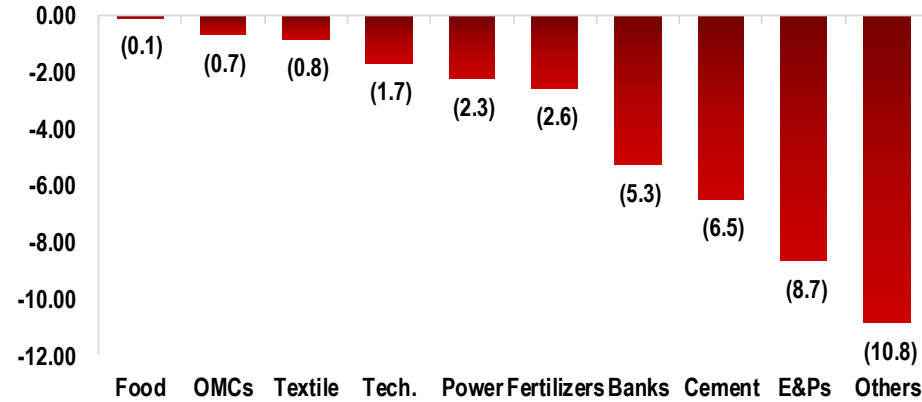
Source: NCCPL & Research

Individuals activity for the month (USD Mn)



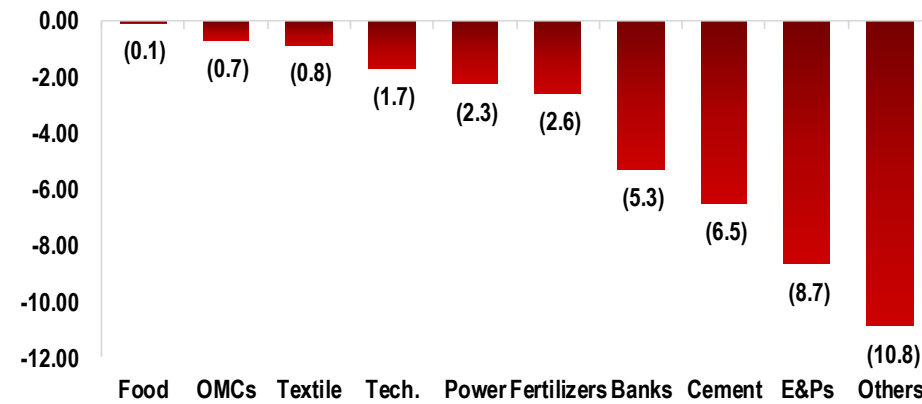
Source: NCCPL & TSL Research

Insurance activity for the month (USD Mn)



Source: NCCPL & TSL Research

Banks/DFIs activity for the month (USD Mn)



Source: NCCPL & TSL Research

Sectors	Stance	Top-Picks	Triggers
Banks	Market-weight	BAFL, BOP, & HBL.	- Tight monetary policy to support yields, going forward. (Positive) - Aggressive focus on current accounts to help protect NIMs. Arbitrage activity to support growth in net interest income. (Positive) - Robust deposits and OMOs to support balance sheet growth. (Positive) - Asset quality remains robust with increased coverage levels. (Positive) - Strong CARs at large to support continued dividend payouts. (Positive) - Government borrowing appetite expected to remain high. (Positive) - TSL Banking Universe is currently trading at ~P/B(x) 1.2x, offering 9% dividend yield on a CY27 basis. (Neutral) - Across the board focus on digital services to boost ROEs in the long-term for the industry. (Positive) - Strategic focus on Islamic conversion for the industry. (Positive)
Fertilizer	Market-weight	FFC	- Urea off-take down 2%MoM to 580K tons in Jul'26 due to slowdown in the seasonal demand. Whereas, DAP off-take was up 1.0xMoM. (Neutral) - Urea prices remained unchanged in Jul'26. Whereas, DAP prices decreased ~1%MoM to PKR 16,055/bag in Jul'26. (Neutral) - The Government has announced "Zarkhezi" program to provide PKR 300Bn loans to 750K small farmers. (Positive) - Introduction of "Agri Storage Financing Facility" amounting to PKR 7.1Bn to build storage facilities for farmers. (Positive) - Fertilizer companies excluded from Super tax relief. (Negative) - Elevated inventory levels for the industry. (Negative) - Exemption of CD, ACD and RD on import of Agricultural Machinery in Budget FY27. (Positive)
E&Ps	Market-weight	OGDC and PPL	- Arab Light averaged ~USD 83/bbl, down 4%MoM amid easing geopolitical tensions and reduced supply disruptions, lowering realized prices. (Negative) - MARI renewed the Mari D&PL till 2065, securing long-term operations and domestic gas production. (Positive for MARI) - PPL discovered gas and condensate at Dolphin X-1 in Sirani Block, Sujawal, Sindh, boosting domestic energy resources. (Positive for PPL) - The Govt. plans to clear PKR 1.49Tn of gas-sector circular debt through dividends, levies and LNG savings. (Positive) - OGDC and PINSTECH agreed to develop lithium extraction technology following a 275 mg/L lithium discovery at the Wahid Bakhsh Well in Khairpur. (Positive for OGDC) - Mari Energies awarded up to 17.5MMSCFD from its Spinwam discovery in Waziristan to Universal Gas Distribution Company. (Positive for MARI) - OGDC partnered with a Canadian firm Synergetic to deploy advanced technology for heavy-oil wells. (Positive for OGDC)
Cements	Market-weight	LUCK, DGKC and FCCL	- In Jul'26, local sales went up by 6%MoM due to continuous recovery in construction activities on account of favorable budgetary (FY27) measures. Jul'26 export sales dropped by 11%MoM. (Neutral) - MLCF has approved investment up to PKR 4Bn as loans/advances to KTML and MLCL to meet the working capital requirements – a similar facility has been provided by PIOC to MLCF. (Neutral for MLCF & PIOC) - Capacity utilization increased to ~65% in Jul'26. (Positive) - DGKC expects to add 11,000 MTPD clinker line with operations to commence by 1HFY28. (Positive for DGKC) - LUCK has planned to invest up to PKR 1.2Bn in its associated Company "National Resources Private Limited (NRL)" to support copper and gold exploration in Baluchistan. (Positive for LUCK) - ACPL's management explores and evaluates the feasibility of a potential merger with FCCL. (Positive for FCCL)

Sectors	Stance	Top-Picks	Triggers
Power	Market-weight	HUBC, NCPL & NPL	- Power generation increased 13%MoM in Jul'26 mainly due to higher electricity consumption. Generation cost increased 20%MoM driven by RLNG purchased on the higher spot rates in the market. (Negative) - Power sector Circular Debt stood at ~PKR 1.68Trn as of Jun'26. (Negative) - The Government is likely to establish a government-owned SPV as the privatization process of three Discos progresses. (Neutral) - Nishat Group announces 10,000 locally assembled units of Omoda & Jaecoo Pakistan. (Positive for NPL & NCPL) - MMC announced the arrival of Roll on/Roll off vessel carrying more than 2,000 BYD Vehicles. (Positive for HUBC) - BYD's USD 150Mn Pakistan plant is in "final stages" to bring first locally assembled BYD vehicles on the road. (Positive for HUBC)
Pharma	Market-weight	AGP	- Government mulls revision of DRAP pricing formula. (Neutral) - Deregulation of non-essentials and further de-regulation of the sector and to boost exports amid support from SIFC to benefit companies. (Positive) - Exports clocked-in at USD 28.2Mn in Jul'26, down 16%YoY. (Negative) - AGP has announces merger of its subsidiaries i.e. OBS AGP, OBS PAK and OBS Pharma. (Positive for AGP) - The Government has doubled the rate of minimum turnover tax on pharmaceutical distributors from 0.25% to 0.5% for FY27. (Negative) - Pharma production increased 9%MoM in Jun'26. While, on a yearly basis it declined significantly by 18%YoY. (Neutral) - SEARL has entered into in-principle agreement with Atco Laboratories Ltd and Martin Dow to manufacture biological products. (Positive for SEARL) - The Government has fully abolished custom duties on over 100 type of raw materials used for manufacturing of cancer medicines. (Positive) - AGP enters contract manufacturing & marketing services for Viagra & Xanax. (Positive for AGP)
Autos	Market-weight	INDU	- Passenger Cars, LCV & Jeep sales reached 19,671 units in Jul'26, down 13%MoM/up 79%YoY. Similarly tractor sales also decreased to 1,242 units, down 59%MoM, primarily due to a high base i.e. Jun'26. (Neutral) - Auto loans rose to PKR 386.3Bn in July. (Positive) - The local auto industry is concerned about the delay in the new Auto Policy, despite the previous policy expiring on June 30. (Negative) - The Govt. aims to shift auto industry towards export-oriented production, focusing on higher investment. (Positive) - The Govt. has abolished the Personal Baggage Scheme for the import of used vehicles. (Positive) - The Govt. plans to establish a 150-acre auto processing zone at Port Qasim. (Positive)
Engineering	Market-weight	ISL & MUGHAL	- CRC-HRC spread increased 2%MoM to USD 72/ton in Aug'26. (Positive) - Production of long steel increased ~3%MoM in Jun'26. (Positive) - The Government has reduced Super Tax from 10% to 8% for companies with earnings exceeding PKR 500Mn. (Positive) - MUGHAL has obtained the request for qualification as participant in a consortium for GEPCO privatization process. (Positive for MUGHAL) - ISL's Board of Directors has recommended to sell the Company's entire holdings of 4.85Mn ordinary shares (17%) in Chinoy Engineering at PKR 72.24/sh., subject to shareholders approval. (Positive for ISL) - FBR has authorized steel melters, re-rollers and composite unit of steel melting & re-rolling mills to pay sales tax on the basis of electricity consumed per unit; effective from Jul'26. (Negative for Long steel)

Sectors	Stance	Top-Picks	Triggers
Chemical	Under-weight	NA	- PVC-Ethylene core delta averaged ~USD 343/ton, up 11%MoM. Wherein, PVC and Ethylene prices averaged USD 831/ton (up 12%MoM) and USD 976/ton (up 14%MoM), respectively. (Positive) - NTC extended anti-dumping duties (ADD) on hydrogen peroxide imports for five more years to protect local industry. (Positive) - NTC imposed ADD on imports of PTA from China. (Positive for LOTCHEM) - NTC imposed provisional anti-dumping duty of 10.85% on dumped imports of soda ash from China for four months. (Positive for LCI) - NTC imposed anti-dumping duties on imports of PVC Resin from the US and Indonesia. (Positive for EPCL) - Exports of chemical and plastic products surged 44%YoY to USD 98.96Mn in Jul'26, according to provisional PBS data. (Positive)
Textile Composite	Market-weight	ILP	- Textile exports increased by 8%YoY in Jul'26 arriving at USD 1.8Bn. On a MoM basis exports increased significantly i.e. 43%MoM. (Positive) - Cotton arrivals as of Aug'26 increased by 25%YoY, arriving at ~1.1Mn bales, attributed to significantly higher arrivals from Sindh up 42%YoY. (Positive) - Textile production declined by 7%YoY/4%MoM in Jun'26. (Negative) - In budget FY27, the Government reduced advance income tax and minimum tax on exporters from 2% to 1.25% which will reduce the tax burden on the exporters and improve profitability. (Positive) - Government launches performance based rebate on incremental exports. (Positive) - Government announces reduction in RLNG rates. (Positive) - Revised Captive Gas Levy formula to reduce levy by 61%. (Positive) - NML to divest its entire 49.10% stake in Nishat Sutas Dairy Limited. (Neutral for NML) - The Companies whose exports exceed 80% of their total sales will not pay super tax. (Positive for ILP & GATM).
OMCs	Market-weight	PSO	- Petroleum products off-take for Jul'26 stood at ~1.5Mn tons, reflecting an increase of 20%MoM and 23%YoY primarily due to panic buying supported by daily revisions in fuel prices—amid US-Iran war escalation. (Positive) - PSO reported a monthly increase of 33% and YoY increase of 38% in sales volume while it's market share surged 5pptsYoY to 47%. (Positive for PSO) - The Govt. raises petroleum dealers' margin to Rs9.98/litre. (Neutral) - OMCs seek margin increase after three years, following hike in dealers' margins by the Government. (Positive) - FO volumes were up 89%MoM and 4.1xYoY in Jul'26. During FY26 they were down 26%YoY, reflecting the shift away from FO based power generation in the country. (Positive) - Government has set PDL target of PKR 1.68Trn for FY27. (Neutral) - ECC approved bonded oil storage for foreign suppliers' re-export, with Government's emergency reserve access. (Positive) - ECC is likely to approve PSO's petroleum supply agreement with Oman's OQ Trading Limited. (Positive for PSO)
Refinery	Over-weight	PRL & CNERGY	- Refinery upliftment surged ~30%MoM in Jul'26 due to increase in MS, HSD and FO sales by 8%MoM, 42%MoM and 46%MoM, respectively. (Positive) - CNERGY has increased US crude imports since Oct'25, reaching at 8.1Mn barrels in nine months. (Positive for CNERGY) - Govt centralizes diesel imports, grants PSO sole authority. (Positive) - The Government has abolished Super Tax with earnings up to PKR 500Mn and reduced from 10% to 8% above PKR 500Mn. (Positive) - The Government pushes refineries to advance upgrades. (Positive) - HSD crack spread capped at USD 41.89/bbl. (Negative) - Imposition of FED on Naphtha, solvent oil and turpentine. (Negative)

SECP Research Entity Notification Number: REP-040

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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, EV/EBITDA, EV/Revenue 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 Flow	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/BVPS	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
ROE	Return on Equity	ROA	Return on Assets	JPB	Justified Price to Book

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