

Monthly Market Perspectives

September 2026 – PSX down 4.0%MoM – (7,006 points)

- Crude oil prices soar pass USD 100/bbl. again, amid supply concerns as ME tensions rise.
- Saudi-Houthi skirmishes exacerbate geopolitical volatility, adding to economic uncertainty.
- Federal Government resumes Austerity Measures; PM announces relief on fuel prices.
- SBP maintains 'Status-quo' in the Sep'26 MPC meeting.
- Pakistan-IMF talks begin on the 4th EFF review to unlock the next USD 1.2Bn tranche.
- Domestic political noise on the rise coupled with worsening security situation.

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KSE-100 index down 4.0%MoM in Sep'26 (-7,006 points)

Wednesday, September 30, 2026

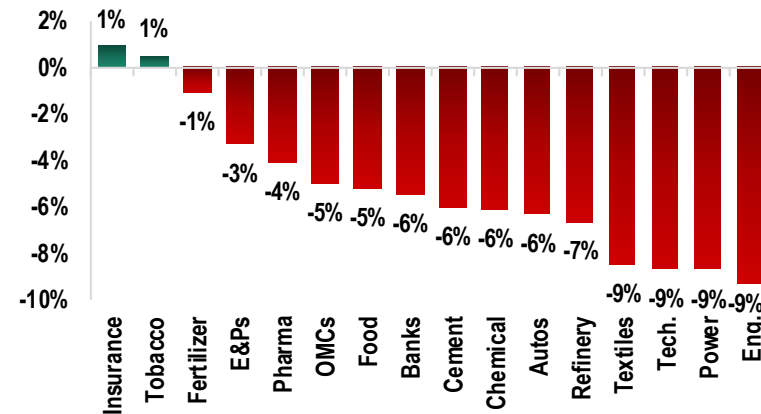
Monthly Index Performance:

- KSE-100 index closed at 169,969 as of Sep'26, down 4.0%MoM (-7,006 points). Net FIPI outflow clocked-in USD 17.36Mn during Sep'26.
- **Average value traded in Sep'26:** PKR 24.3Bn – down 35%MoM.
- **Average volume traded in Sep'26:** 601.2Mn shares – down 24%MoM.

Key triggers for the market during Sep'26:

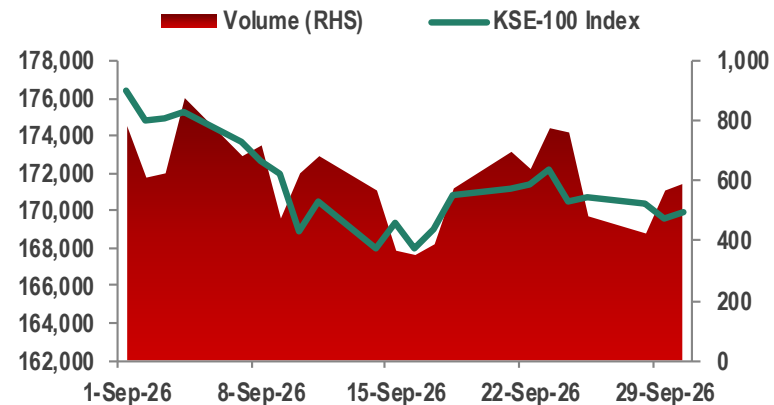
- Benchmark crude oil prices jump ~30% during the month, as Houthis disrupt the Bab El Mandeb strait and attack critical oil infrastructure in Saudi Arabia. While, ceasefire negotiations between the US & Iran remain inconclusive.
- Federal Government announces austerity measures to curb fuel consumption amid soaring domestic fuel prices, along with a relief scheme for consumers.
- SBP maintains 'Status-quo' in its Sep'26 MPC meeting.
- Pakistan-IMF talks begin on the 4th EFF review to unlock the next tranche.
- Pakistan raises USD 3Bn through a successful dual-tranche Eurobond.
- Listed refineries sign the amended Refinery Upgrade Agreements.
- Pakistan's total FX reserves touch all-time high of ~USD 27Bn.
- Sep'26 CAD arrives at USD 98Mn only, down 70%YoY.
- Domestic political uncertainty increases amid calls for large-scale protests, and imposition of 'emergency' in KP. Internal security situation also worsens owing to increase in terrorist attacks across Balochistan & KP.
- KSE-100 Index companies post 16%YoY growth in earnings during FY26.

Major Sector-wise return - Sep'26



Source: PSX & TSL Research

KSE-100 Index Performance - Sep'26



Source: PSX, TSL Research

KSE-100 Index was down 7,006 points, closing at 169,969 points

- The KSE-100 index closed the month at **169,969 points**, (down **4.0%MoM**) being range-bound, choppy and driven by news flows mainly. Wherein, market activity also nosedived with the avg. value & volume traded falling 35% & 24%, respectively. Nevertheless, major triggers included: i) Intensifying Middle-East (ME) Conflict as the US-Iran negotiations failed, while Houthis opened another front against Saudi Arabia disrupting the Red Sea supply route; ii) ~30%MoM surge in oil prices driving up the domestic fuel prices & inflation; and iii) surge in domestic political turmoil and worsening security situation in Balochistan and KP.

~30% of global energy supplies at risk due to the ME conflict

- US-Iran tensions remain high after the latest rejection of the '7-Days Plan' to open the Strait of Hormuz (proposed by Iran), by the US President Donald Trump. On the contrary, the US is moving forward with strangling Iran via stricter sanctions which include worldwide closure of operations for Iranian airlines. Whereas, Iran has wowed an equivalent response.
- Elsewhere, Iran-backed Houthis blew up the East-West pipeline in Saudi Arabia, and took control of the Bab-El-Mandeb Strait in the Red Sea. Consequently, bringing KSA's oil exports to a halt, and putting ~30% of the global energy supplies at risk when combined with the closure of the Strait of Hormuz. Accordingly, global crude oil prices were up ~30% during the month.

Federal Government re-introduces Austerity Measures

- For context, global crude oil prices were up sharply in Sep'26 due to geopolitical events i.e. Dubai Crude Oil (Platts) price was up ~19%MoM to USD 111.8/bbl. in Sep'26. Accordingly, local fuel prices also increased i.e. MS and HSD were up 13%MoM & 8%MoM, respectively. Moreover, the Government also introduced a range of austerity measures (for 3 months) in order to curb consumption at home. These include cut in official visits, cut official fuel limits, early closure of markets & restaurants, and limits to official dinners etc.
- Additionally, the PM has also announced a relief scheme (targeting the low income groups mainly), for which the ECC has approved PKR 75Bn. To date over 5Mn persons have registered.

Domestic political unrest gains momentum adding to uncertainty

- Mass protests planned for Islamabad by the Opposition parties i.e. PTI & its allies have been deferred into Oct'26 for now. However, their announcement has added to uncertainty for the investors. In addition, the growing wave of terrorist attacks in KP and Balochistan (against the armed forces & the civilian population) have exacerbated the fragile internal security situation.
- Additionally, news sources suggest potential political change in KP with the imposition of the 'Governor Raj' or an 'Emergency', which may have far reaching consequences for the market sentiment as well – adding to uncertainty.

SBP holds policy rate at 11.50%; FX reserves hit all-time high

- The SBP in its Sep'26 MPC meeting maintained 'Status Quo' and kept the benchmark policy rate unchanged at 11.50%, in a majority decision. Wherein, the MPC acknowledged the risks to the forward inflation outlook (i.e. oil prices), outlining that the NCPI was expected to remain above its target range of 5-7% for the rest of FY27. On the growth front, SBP maintained its earlier forecast.
- Meanwhile, Pakistan's successful issue of USD 3Bn Eurobonds resulted in the SBP's FX reserves hitting an all-time high, clocking-in at USD 21.4Bn, with the SBP likely to revise its Dec'26 forecast for FX reserves upwards in the next MPC meeting. Other factors contributing to the growth in FX reserves include uptick in official flows, strong momentum of remittances as well as the SBP's open market USD purchases i.e. USD 8.1Bn purchased during FY26.

External account reflects stability despite some pressure

- Current Account posted a deficit of USD 98Mn in Aug'26 compared to a deficit of ~USD 324Mn in the SPLY and USD 445Mn in Jul'26, narrowing 78%MoM/70%YoY on the back of lower Services Deficit and robust Remittances which were up 1%MoM/17%YoY, respectively. Accordingly, the 2MFY27 CAD clocked-in at USD 543Mn, down 36%YoY.
- Elsewhere, Aug'26 FDI surged ~80%YoY to USD 316Mn – showing an increase of USD 141Mn over the SPLY. Finally, profit repatriation declined ~15%YoY to USD 296Mn in Aug'26.

4th review talks with IMF start officially

- Talks have commenced between Pakistani authorities & the IMF staff on the 4th EFF review & the 3rd RSF review, paving way for the next tranche. According to news sources, in light of the ongoing geopolitical developments, discussions are likely to focus on revising the macroeconomic and fiscal framework for FY27.
- To note, the IMF chief is satisfied with current economic reforms and Pakistan's progress towards stabilization. Nevertheless, the IMF seeks 174 legislative amendments under the current framework in order to broaden the tax base. Discussions are also expected on items like gas sector circular debt plan and introduction of a unified gas pricing mechanism. In addition, the IMF would also evaluate governance and transparency frameworks for the Sovereign Wealth Fund and SOEs.

Corporate profitability was up 16% in FY26

- Corporate profitability was up 16%YoY during FY26, based on the results of 86 out of 100 companies in the KSE-100 Index. Wherein, the earnings growth was led primarily by the Transport, Refinery, Paper & Board, Engineering, Food, OMCs, Textile, Autos & the E&P sectors, respectively. Apart from uptick in demand, companies also benefited from sector-specific tailwinds like higher oil prices driving higher GRMs for Refineries. Other factors include reversals related to Super Tax & SIDC, as well as reduction in finance costs on account of lower interest rates.

Economic Update – LSMI up 9.51% in Jul'26; Aug'26 CA posts USD 98Mn deficit

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Jul'26 LSMI up 9.51%MoM / 3.03%YoY

- Large Scale Manufacturing Index (LSMI) was up 9.51%MoM in Jul'26, wherein top contributors were Automobiles (57%YoY), Other Transport Equipment (40%YoY), Tobacco (36%YoY) and Wearing Apparel (22%YoY). Whereas, major decliners were Other Manufacturing—Football (-41%YoY), Pharmaceuticals (-21%YoY) and Machinery & Equipment (-13%YoY).

NCPI arrived at 11.1%YoY in Aug'26; Sep'26 NCPI expected at 10.1%YoY

- Aug'26 NCPI arrived at 11.1%YoY. Sep'26 NCPI is expected at 10.1%YoY mainly due to sticky food & core inflation, higher fuel prices & base-effect.

FBR tax collection fall short in Aug'26 target by ~PKR 29Bn

- FBR collected PKR 901Bn in Aug'26 against the target of PKR 930Bn, down ~PKR 29Bn. To note, 2MFY27 FBR tax collection reached ~PKR 1.72Trn; reflecting an increase of ~PKR 12Bn against the target.

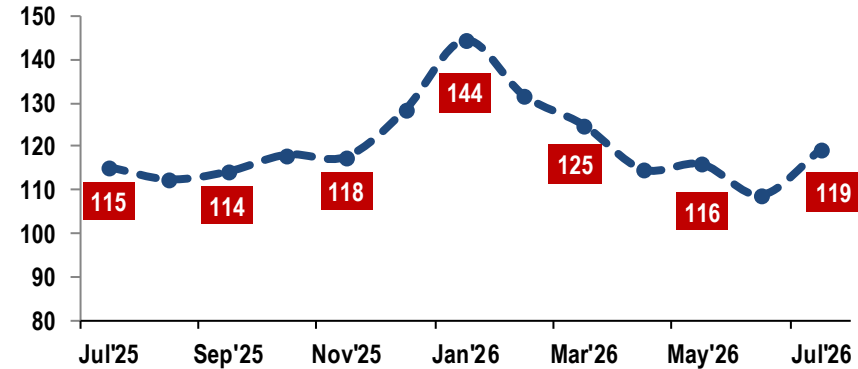
Current account posts a deficit of ~USD 98Mn in Aug'26

- CA posted a deficit of USD 98Mn in Aug'26; down ~78%MoM mainly due to 4%MoM decline in the balance of trade. 2MFY26 CAD stood at USD 543Mn, down 36% over the SPLY. Remittances in Aug'26 were recorded at USD 3.7Bn, up 17%YoY. 2MFY26 remittances arrived at USD 7.3Bn, up 15%YoY.

PKR continued to hold firm on the back of stable FX reserves (all-time high)

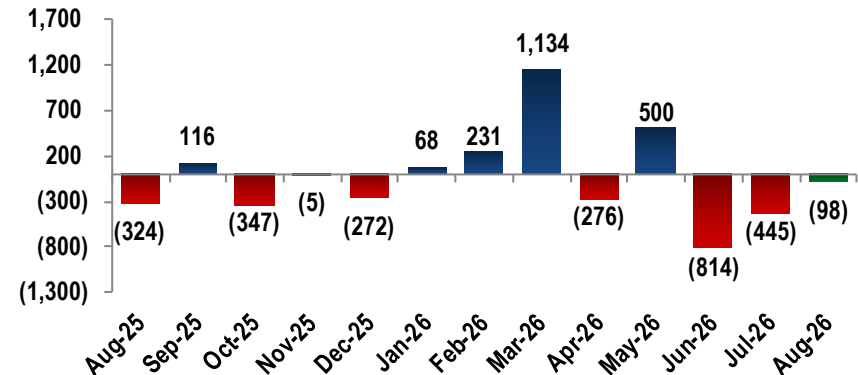
- PKR/USD currently hovers ~PKR 278/USD level mainly on the back of stable FX reserves and positive external outlook for Pakistan, going forward. However, risks to the external outlook remain high due to volatile global energy prices, and slowdown in realization of planned official FX inflows.

LSMI up 9.51%MoM / 3.03%YoY in Jul'26



Source: PBS & TSL Research

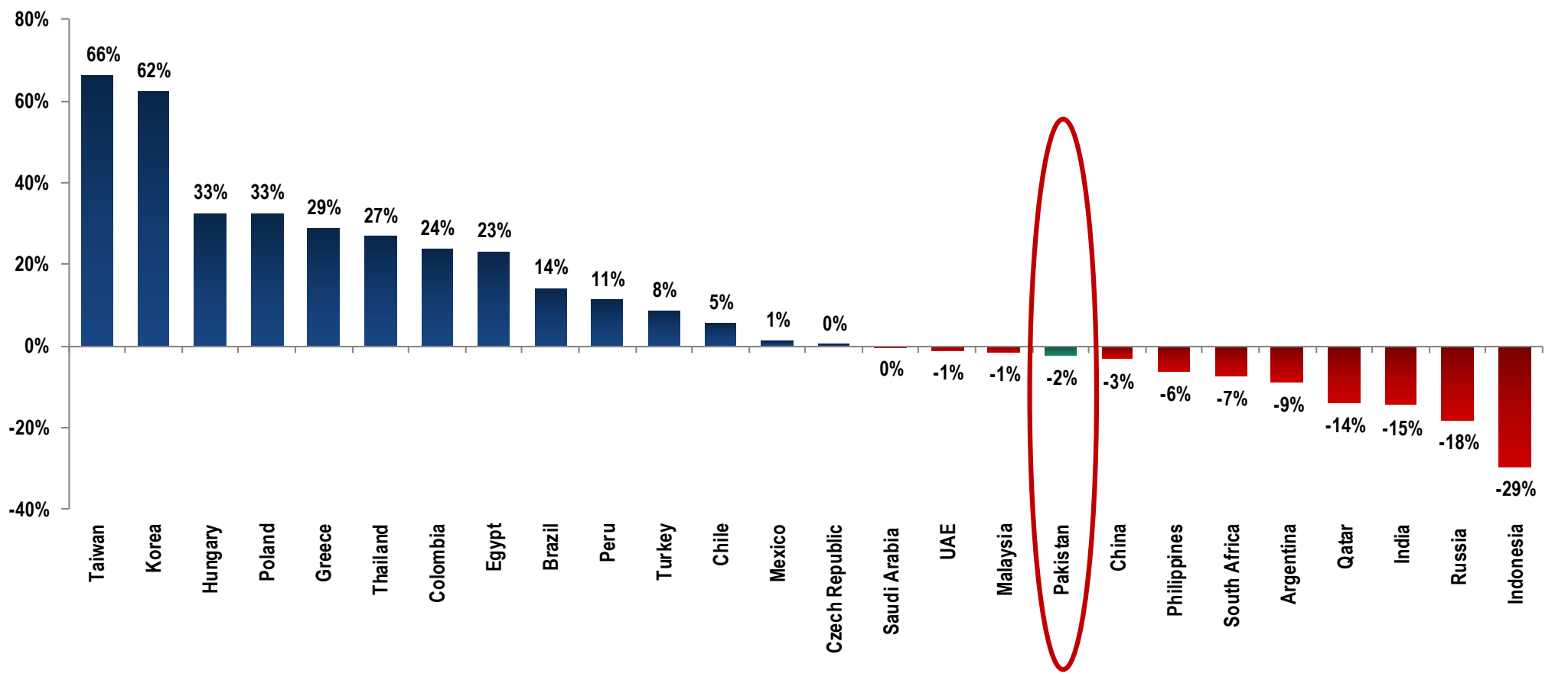
Monthly Current Account Balance (USD Mn)



Source: SBP & TSL Research

Emerging Markets Performance – CY26 TD – PSX down 2%

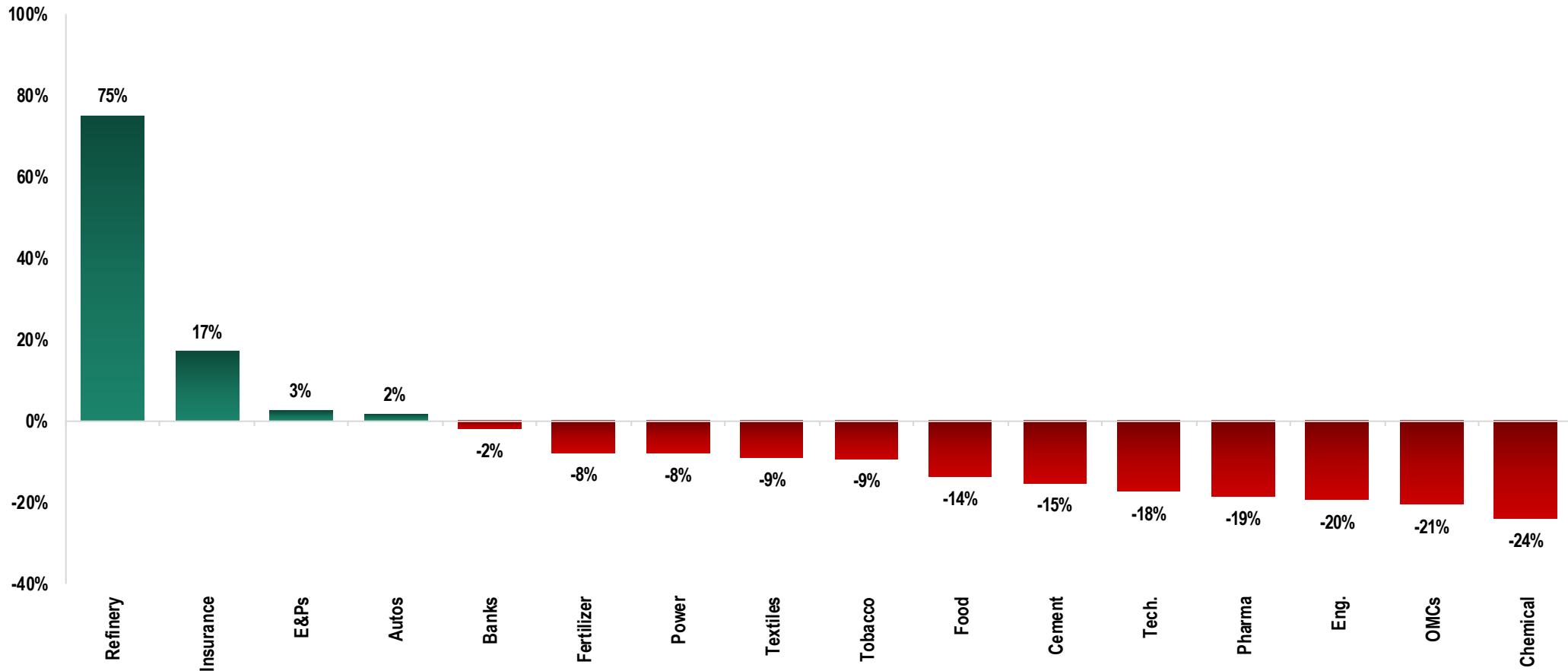
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Source: Investing.com & TSL Research
As of Sep 30, 2026 close

KSE-100 Index CY26 TD Return for Major Sectors

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Source: PSX & TSL Research

Foreign Portfolio Investment Flows for Sep'26

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Sep'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	22.18	(26.73)	(4.55)	(2.78)	(1.20)	4.15	8.26	1.95	(7.03)	0.01	1.18	4.55
Banks	20.76	(40.86)	(20.09)	10.87	(1.25)	(1.57)	16.72	1.81	(8.52)	0.04	1.99	20.09
Technology	12.15	(13.02)	(0.87)	(2.88)	(1.05)	2.28	3.20	(0.06)	(0.58)	(0.17)	0.13	0.87
Textile	2.18	(1.67)	0.52	(0.62)	(0.20)	0.98	0.69	(0.27)	(1.41)	0.03	0.28	(0.52)
Fertilizer	4.89	(3.64)	1.25	(1.56)	0.59	1.23	(1.36)	(0.01)	(0.42)	(0.10)	0.38	(1.25)
Others	87.77	(77.76)	10.01	1.95	(5.39)	10.14	(0.03)	(0.44)	(17.32)	0.04	1.04	(10.01)
OMC	8.30	(9.72)	(1.42)	1.04	0.07	0.23	(0.21)	(0.13)	0.29	0.02	0.13	1.42
E & P	15.78	(19.60)	(3.82)	(1.27)	(0.35)	1.36	9.41	(1.46)	(4.64)	0.10	0.68	3.82
Power	7.67	(6.31)	1.36	(0.27)	(0.58)	0.54	0.41	0.27	(1.47)	0.00	(0.27)	(1.36)
Food	4.37	(4.46)	(0.09)	0.14	0.46	0.21	0.21	0.07	(1.50)	0.38	0.11	0.09
Debt Market	0.00	0.00	0.34	(113.99)	0.01	1.32	1.73	1.58	90.37	(0.01)	18.65	(0.34)
Total	186.06	(203.76)	(17.36)	(109.37)	(8.89)	20.87	39.01	3.30	47.78	0.36	24.31	17.36

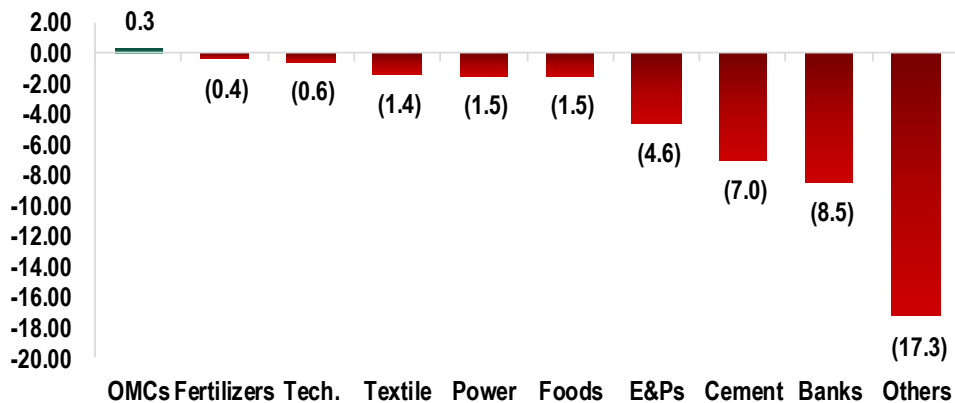
Source: NCCPL & TSL Research

- *Foreigners (including overseas Pakistanis) were net sellers of USD 17.36Mn worth of shares.*
- *Mutual Funds were the biggest buyers on the local front followed by Individuals & Others.*
- *Banks were the biggest sellers on the local front followed by Broker.*

Local Investment Portfolio Flows during Sep'26

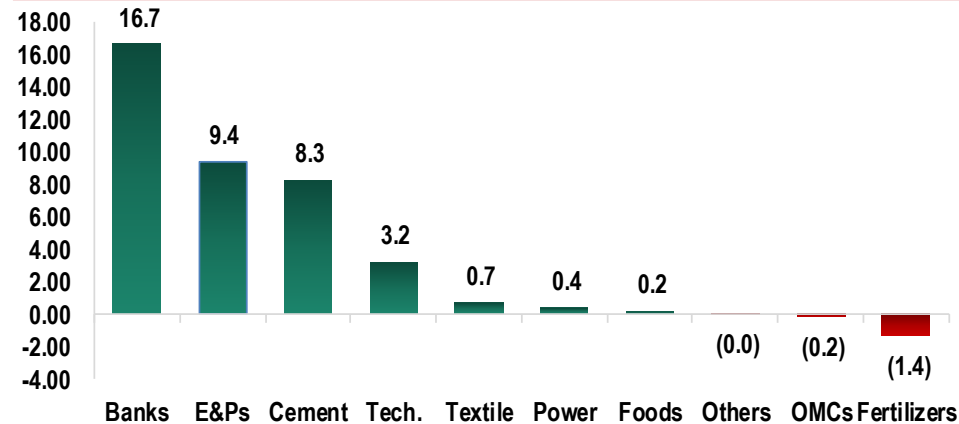
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Mutual Fund activity for the month (USD Mn)



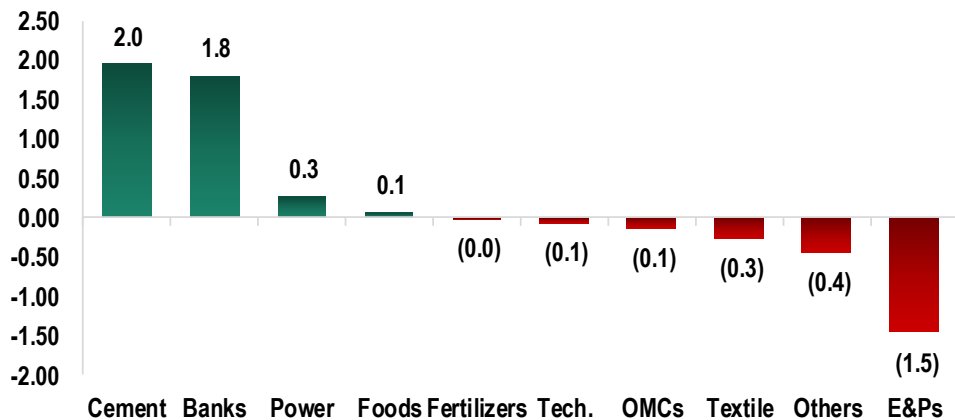
Source: NCCPL & Research

Individuals activity for the month (USD Mn)



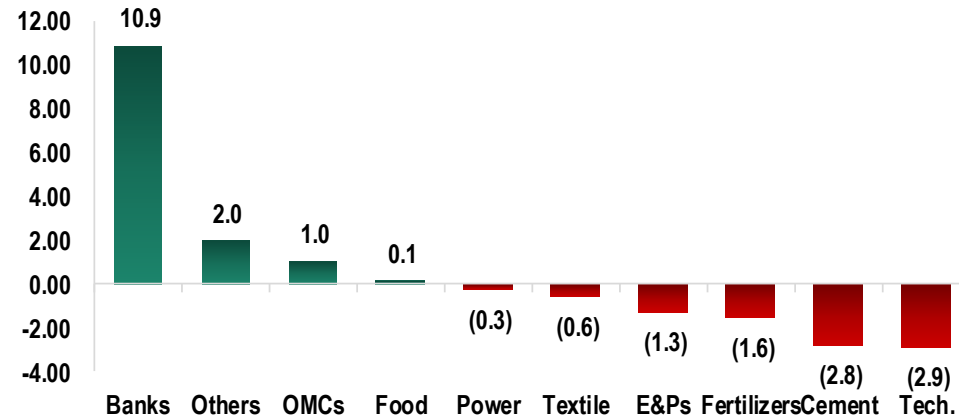
Source: NCCPL & TSL Research

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 was up 21%MoM to 701K tons in Aug'26 due to the seasonal uptick in demand. Whereas, DAP off-take was up 31%MoM. (Positive) - Urea prices increased ~1%MoM to PKR 4,679/bag. Similarly, DAP prices went up by ~3%MoM to PKR 16,480/bag in Aug'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 102/bbl, up 24%MoM amid rising geopolitical tensions, increasing realized hydrocarbon prices. (Positive) - OGDC partners with Baker Hughes to boost production from mature assets. Also, partners with PINSTECH for lithium extraction. (Positive for OGDC) - OGDC and MARI commenced gas production from Lundali-1 in Sukhpur-II Block, Sindh. (Positive for OGDC & MARI) - E&P sector earnings surged 2.5xYoY to PKR 214Bn in 4QFY26 on account of Super Tax reversals mainly. (Positive) - Pakistan's oil reserves rose 15%YoY and gas reserves 9%YoY as total recoverable reserves reached 3.72Bn BOE. (Positive) - OGDC plans to spud 33 wells in FY27, with management expecting production volumes to increase by 6 to 8% next year. (Positive for OGDC) - OGDC guided that it and its joint venture partners, including PPL, MARI, and Turkish Petroleum, plan to conduct additional seismic surveys this year, with a potential exploratory well targeted for next year. (Positive for OGDC, PPL & MARI)
Cements	Market-weight	LUCK, DGKC and FCCL	- In Aug'26, local sales declined 13%MoM due to drop in construction activities. Whereas, export sales increased 7%MoM. (Negative) - Capacity utilization decreased to ~56% in Aug'26. (Negative) - DGKC has signed an agreement with international energy companies for the supply and installation of 25MW PV Solar Power Plant and 10MWH BESS at its Mauza Khofli Sattai Plant. (Positive for DGKC) - MLCF Board has approved to acquire entire shareholding in PIOC subjected to shareholders approval. (Positive for MLCF) - FCCL has approved to install 50MWh BESS Energy and 10MW Solar power project with commencement in 10 months (Positive for FCCL) - CHCC has submitted its intention to acquire at least 30% (~33Mn shares) shareholding in NICL. (Positive for CHCC)

Sectors	Stance	Top-Picks	Triggers
Power	Market-weight	HUBC, NCPL & NPL	- Power generation increased -1%MoM in Aug'26 mainly due to stable electricity consumption. Generation cost decreased 7%MoM driven by relatively lower expensive purchases. (Positive) - Power sector Circular Debt stood at ~PKR 1.68Trn as of Jun'26. (Negative) - Government moves to revamp power sector regulatory framework to improve efficiency and attract private-sector investment. (Positive) - NexGen Auto, officially launches iCAUR EV brand in Pakistan in collaboration with Chery International. (Positive for NPL & NCPL) - HUBC-MMC's purpose-built NEV assembly factory in Gharo to come online in 2HCY26. (Positive for HUBC) - HUBC-MMC's partner BYD reaches 10,000 NEVs on Pakistani roads as of late September 2026. (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 19Mn in Aug'26, down 39%YoY/32%MoM. (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 decreased 5%MoM in Jul'26. While, on a yearly basis it declined significantly by 21%YoY. (Negative) - 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 15,426 units in Aug'26, down 22%MoM/up 10%YoY. Similarly tractor sales also decreased to 1,052 units, down 15%MoM, primarily due to delayed Auto Policy. (Negative) - Auto loans rose to PKR 393.4Bn in August. (Positive) - PM has given in-principle approval to the Automotive Industry Development Policy (AIDP) 2026-31. (Positive) - The Govt. has reduced GST from 25% to 18% on locally manufactured hybrid electric vehicles with engine capacity upto 2000cc. (Positive) - Govt. launches 4th and 5th phases of the Green Tractor Scheme to provide 19,500 tractors in FY27. (Positive for MTL) - Hybrid vehicle prices slashed includes Indus Motor and Honda Atlas Cars following reduction in GST. (Positive for INDU & HCAR)
Engineering	Market-weight	ISL & MUGHAL	- CRC-HRC spread decreased 4%MoM to USD 69/ton in Sep'26. (Negative) - Production of long steel decreased ~2%MoM in Jul'26. (Negative) - The Government has reduced Super Tax from 10% to 8% for companies with earnings exceeding PKR 500Mn. (Positive) - FBR has authorized steel melters, re-rollers and composite unit of steel melting & re-rolling mills to pay sales tax at PKR 5 per unit of electricity consumed through the electricity bills. (Negative for Long steel) - The Federal Cabinet has approved "National Housing Policy – 2025" aiming to promote and expand high-rise housing projects. (Positive)

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) - Pakistan invites Chinese investment in chemicals, agro-chemicals and biotech. (Positive)
Textile Composite	Market-weight	ILP	- Textile exports increased by 3%YoY in Aug'26 arriving at USD 1.6Bn. On a MoM basis exports declined ~14%MoM. (Neutral) - 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 3%YoY/up 5%MoM in Jul'26. (Neutral) - The Companies whose exports exceed 80% of their total sales will not pay super tax. (Positive for ILP & GATM) - ILP's earnings increased by ~1xYoY in FY26. (Positive for ILP) - Government launches performance based rebate on incremental exports. (Positive) - Government announces reduction in RLNG rates.(Positive) - NML has signed an agreement with EBR Energy Pak (Pvt) Ltd for supply of a 20MW solar PV plant and 35MWh BESS at its Bekhi and Ferozwatwan facilities. (Positive for NML) - NML's shareholders have approved the sale of entire 49.10% stake in Nishat Sutas Dairy Limited. (Neutral for NML)
OMCs	Market-weight	PSO	- Petroleum products off-take for Aug'26 stood at ~1.3Mn tons, reflecting a decrease of 16%MoM and 3%YoY primarily due to weaker consumption environment—amid volatile and rising fuel prices. (Negative) - PSO reported a monthly decrease of 19% while YoY increase of 4% in sales volume. Its market share surged 3pptsYoY to 45%. (Positive for PSO) - The OCAC is seeking an increase of PKR 1.22/litre in OMCs' margins immediately. (Positive) - The Government sets Jun'27 target for petrol deregulation. (Positive) - FO volumes were up 26%MoM and 4.3xYoY in Aug'26. During 2MFY7 they were up 4.2xYoY, primarily due to more reliance on FO—amid expensive RLNG. (Negative) - Frequent HSD pricing interventions put OMC supplies and refinery utilization at risk. (Negative) - OMCs face liquidity strain as OCAC seeks PKR 66.7Bn in PDCs. (Negative) - Diesel stocks at OMCs fall below 20-day cover. (Negative)
Refinery	Over-weight	PRL & CNERGY	- Refinery upliftment dropped ~16%MoM in Aug'26 due to decrease in MS and HSD sales by ~2%MoM and ~30%MoM, respectively. (Negative) - FBR has slapped FED of PKR 80/litre on Naptha, Solvent Oil and White Spirit/Mineral Turpentine Oil. (Negative) - ATRL plans to add 50K BPD deep conversion refinery. (Positive for ATRL) - The Government has abolished Super Tax for earnings up to PKR 500Mn and reduced from 10% to 8% above PKR 500Mn. (Positive) - Refineries have signed Upgradation Agreements (UA) under the Brownfield Refining Policy 2023 - as amended in Aug'26. (Positive) - HSD crack spread remained capped at USD 41.89/bbl. (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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