

Market Overview

Market witnessed an overall volatile trading session as investors looked to refurbish their portfolio before the announcement of Monterey policy. The benchmark KSE-100 index closed down by 120.38 point to close at 34,026.59 points.

Monetary easing continues; DR cut 100bps

In line with our expectations, State Bank of Pakistan has decided a 100bps cut in the discount rate to 8.5%. This was stated by SBP Governor while unveiling the Monetary Policy statement.

SBP trims inflation estimates for FY15

SBP has reduced inflation estimates for FY15 in the range of 4.5% to 5.5% well below initial estimates of 8% on account of lower oil prices, curtailment of government budgetary borrowings and exchange rate stability owing to better foreign inflows. Recent reading of CPI for the month of Dec'14 showed that it came down by 4.3% YoY due to lower food prices and decline in petroleum product prices. As per AZEE estimates inflation to settle around 5.6% in FY15.

Trade deficit to remain under control

Due to lower global oil prices, trade deficit to remain in comfort zone going forward as oil import contribute around 33% in total oil imports. However lower cotton prices and stable exchange rate would also keep exports on lower side. We expect exports to remain lower due to lower cotton prices and weak global demand. Thus trade deficit to remain manageable while higher workers remittances would provide support to current account deficit. Furthermore recent successful completion of 4th and 5th review under IMF's EFF and issuance of International Sukuk have also contributed to improvement in overall Balance of Payment (BoP) position.

Equity market to remain positive

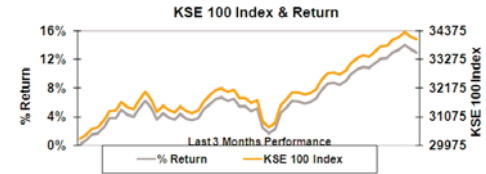
As KSE-100 Index has gained 6.25% since 1st Jan'15 after releasing of lower CPI inflation number, it appears that market has rightly adjusted the above cut but selective companies to perform well. As Cement (top pick: LUCK, DGKC, MLCF, FCCL) and textile (top pick: NML) utilizes debt in their balance sheet. Power sector valuations likely to improve by 8.2% on account of lower risk free rate. Fertilizer sector players to enjoy the cut as well and we expect 7.8% increase in their earnings/valuations for CY15 but ENGRO and FATIMA are highly leveraged thus their earnings to improve by 10% for CY15.

Company	EPS (Rs)		Target Price* Rs/Share	Recommendation
	FY15E	FY16F		
LUCK	41.33	46.33	597	Buy
DGKC	15.62	16.53	139	Buy
ACPL	20.01	21.67	237	Buy
MLCF	6.63	7.65	60	Buy
FCCL	2.29	2.88	31	Buy
APL	41.82	63.26	635	Buy
PSO	39.15	53.50	511	Buy
HUBC	7.68	9.15	94	Buy
KAPCO	10.49	11.72	86	Hold
ENGRO*	11.59	28.51	309	Buy
FFC*	14.69	15.93	142	Buy

*CY15E & CY16F

** December 2015

Source: AZEE Research



News Update

The Economic Coordination Committee (ECC) of the Cabinet on Friday approved export of 1.2 million tons of wheat out of the surplus stocks available in Punjab and Sindh. Accordingly, Punjab will export 800,000 tons while Sindh has been allocated export quota of 400,000 tons of wheat. Punjab will get a subsidy of \$55 per metric ton for export while for Sindh this subsidy would be \$45 per metric ton. Taking notice of unhindered import of wheat byproducts, the ECC also issued instructions for immediate ban on their import, an official statement said.

Federal Minister for Commerce, Engr. Khurram Dastagir Khan has said the government was taking all possible steps to ensure sustained and inclusive economic growth based on justice and equality. The government has planned to set up first Land Ports Authority for establishing land ports near Wagha and Tourkham borders. Opening of border with India at another point, most likely Monna-Bao, is also under consideration as the government believes in enhancing regional trade and economic liberalization, he said.

Gwadar will soon be declared a Special Economic Zone (SEZ) for a period of 20 to 30 years in order to facilitate rapid commercial and economic development. The SEZ is likely to cover city of Gwadar and industrial areas currently planned and foreseen. As per data provided by Ports and Shipping Division, the specific incentive-regime is likely to include general tax-holidays, no VAT and generous incentives pertaining to business ownership. The government has already started working on this proposal.

NCCPL (U.S \$ in million)		Portfolio Investment U.S \$ in million)		KSE Statistics		January 23, 2015	
FIPI (23-Jan-2015)	-4.27	Yearly(Jul, 2014 up to 22-Jan-2015)	89.54	Indices			
Local Companies (23-Jan-2015)	-3.86			All Share Index	24,544.87		
Banks / DFI (23-Jan-2015)	5.12	Monthly(Jan, 2015 up to 22-Jan-2015)	3.45	KSE-30TM Index	22,104.36		
Mutual Funds (23-Jan-2015)	5.61			KSE-100TM Index	34,026.59		
NBFC (23-Jan-2015)	-1.53	Daily (22-Jan-2015)	3.99	Turnover			
Local Investors (23-Jan-2015)	-1.62	Total Portfolio Investment (09-Jan-2014)	5551	All Share Index	227,289,090		
Other Organization (23-Jan-2015)	0.56			KSE-30TM Index	70,790,650		
				KSE-100TM Index	138,096,620		

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[Morning Report]
Pivot Analysis

Company	CR	RSI	Buy 1	Buy 2	Sell 1	Sell 2	Pivot
KSE 100 INDEX	34026.59	72.49	33,938	33,850	34,155	34,283	34,067
Attock Cement	210.99	62.75	208.25	205.55	214.55	218.15	211.85
Adamjee Insurance	52.05	55.58	51.75	51.50	52.40	52.75	52.10
Askari Bank	24.28	63.17	24.10	23.90	24.55	24.80	24.35
Azgard Nine	6.13	51.00	6.05	6.00	6.20	6.30	6.15
Attock Petroleum	576.81	63.01	572.90	568.95	582.90	588.95	578.95
Attock Refinery	210.54	62.80	209.05	207.55	212.00	213.50	210.50
Bank Al-Falah	33.70	56.62	33.60	33.50	33.80	33.85	33.70
BankIslami Pak	9.90	43.06	9.85	9.80	9.95	10.00	9.90
Bank.Of.Punjab	10.45	50.15	10.35	10.30	10.55	10.70	10.50
Fauji Cement	28.68	67.42	28.15	27.65	29.15	29.60	28.60
Fauji Fert Bin	48.52	63.21	48.05	47.55	48.80	49.05	48.30
Fauji Fertilizer	130.10	75.67	128.75	127.35	131.55	132.95	130.15
Habib Bank Ltd	212.36	42.30	211.75	211.10	213.25	214.10	212.60
Hub Power	83.91	61.54	83.20	82.45	85.00	86.05	84.25
ICI Pakistan	481.67	39.84	474.15	466.60	493.10	504.50	485.55
Jah Siddiq Co	17.86	44.21	17.40	16.90	18.30	18.70	17.80
Lucky Cement	501.16	51.50	498.45	495.75	504.95	508.70	502.20
MCB Bank Ltd	329.75	68.00	327.05	324.30	333.75	337.70	331.00
Maple Leaf Cement	48.04	62.64	47.20	46.40	48.65	49.25	47.85
National Bank	70.22	62.10	69.25	68.25	70.85	71.45	69.85
NIB Bank	2.37	48.21	2.35	2.30	2.45	2.50	2.40
Oil & Gas Dev. XD	217.29	57.28	214.70	212.10	219.45	221.60	216.85
P.S.O. XD	376.27	60.75	374.20	372.10	379.15	382.05	377.10
Sui North Gas	28.04	51.32	27.35	26.60	28.55	29.05	27.85

Board Meetings

Company	DATE	TIME
Sindh Abadgar's Sugar Mills	24-01-2015	11:00
JDW Sugar Mills Ltd	24-01-2015	11:30
Engro Foods Ltd	26-01-2015	9:30
Engro Foods	26-01-2015	9:30
National Refinery Ltd	27-01-2015	10:00
Honda Atlas Cars	27-01-2015	11:00

Key Data
Money Market

T-Bills (3 Mths)	07-Jan-2015	9.14%
T-Bills (6 Mths)	07-Jan-2015	9.25%
T-Bills (12 Mths)	07-Jan-2015	9.15%
Discount Rate	15-Nov-2014	9.50%
Kibor (1 Mth)	23-Jan-2015	9.46%
Kibor (3 Mths)	23-Jan-2015	9.08%
Kibor (6 Mths)	23-Jan-2015	9.07%
Kibor (9 Mths)	23-Jan-2015	9.27%
Kibor (1 Yr)	23-Jan-2015	9.25%
P.I.B (3 Yrs)	23-Jan-2015	9.10%
P.I.B (5 Yrs)	23-Jan-2015	9.25%
P.I.B (10 Yrs)	23-Jan-2015	10.15%
P.I.B (15 Yrs)	23-Jan-2015	11.10%
P.I.B (20 Yrs)	23-Jan-2015	11.40%
P.I.B (30 Yrs)	23-Jan-2015	11.60%

Commodities

Crude Oil (brent)\$/bbl	49.01
Crude Oil (WTI)\$/bbl	46.30
Cotton \$/lb	57.66
Gold \$/ozs	1,291.82
Silver \$/ozs	18.20
Malaysian Palm \$	642
GOLD (PMEX) PKR	42,267
KHI Cotton 40Kg PKR	5,198

CR = Yesterday's Closing Rate; RSI = 14 day RSI.
 RSI Indication: Less than 30 Indicate oversold position & Greater than 70
 Indicate overbought position.

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MTS Leverage Position

	Unrel Volume	Unrel Value	MTS Volume	MTS Value	Total Volume	Total Value	MTS Rate
23-Jan-15	88,832,500	3,907,574,303	6,104,400	329,647,505	94,936,900	4,237,221,809	16.28
22-Jan-15	86,871,050	3,856,390,032	6,992,450	323,705,775	93,863,500	4,180,095,807	16.26
Chg DoD %	2.26%	1.33%	-12.70%	1.84%	1.14%	1.37%	0.02 bps
Symbol	Unrel Volume	Unrel Value	MTS Volume	MTS Value	Total Volume	Total Value	MTS Rate
AHCL	481,200	12,177,625	-	-	481,200	12,177,625	-
AICL	2,324,700	101,340,211	35,000	1,556,931	2,359,700	102,897,141	16.59
AKBL	2,784,500	56,620,063	561,500	11,630,307	3,346,000	68,250,371	17.53
ATRL	270,100	46,078,390	17,800	3,197,651	287,900	49,276,041	16.43
BAFL	1,190,000	33,750,367	36,500	1,045,401	1,226,500	34,795,768	16.77
BAHL	48,000	2,035,956	4,000	171,100	52,000	2,207,056	16.99
BOP	19,455,200	172,205,925	807,500	7,208,676	20,262,700	179,414,601	17.53
CHCC	631,000	41,008,544	35,000	2,222,107	666,000	43,230,651	15.96
DGKC	1,515,500	150,343,923	53,500	5,551,125	1,569,000	155,895,048	15.28
EFOODS	1,148,900	118,771,632	64,900	6,998,214	1,213,800	125,769,846	17.18
ENGRO	4,817,300	996,130,709	486,500	114,388,954	5,303,800	1,110,519,664	15.74
FABL	3,034,200	46,835,743	179,800	2,811,973	3,214,000	49,647,715	16.44
FATIMA	5,726,500	176,809,599	198,000	6,356,137	5,924,500	183,165,736	15.68
FCCL	2,993,200	70,676,920	360,500	8,801,432	3,353,700	79,478,351	16.47
FFBL	1,546,000	63,228,886	10,500	433,061	1,556,500	63,661,947	16.76
FFC	1,848,900	201,285,445	132,200	14,648,455	1,981,100	215,933,899	16.56
HUBC	1,763,000	119,894,501	-	-	1,763,000	119,894,501	-
KEL	4,604,500	37,150,034	300,000	2,334,345	4,904,500	39,484,379	17.28
LPCL	7,574,000	112,279,079	287,000	4,295,567	7,861,000	116,574,645	17.44
LUCK	126,800	54,149,325	12,400	5,272,086	139,200	59,421,411	14.45
MCB	5,500	1,497,929	500	139,935	6,000	1,637,864	17.50
MLCF	2,395,500	96,930,982	421,500	17,241,246	2,817,000	114,172,228	17.37
NBP	2,311,000	136,741,150	62,500	3,716,758	2,373,500	140,457,908	17.32
NCL	1,898,500	74,365,685	10,000	393,308	1,908,500	74,758,993	17.00
NML	412,900	44,648,091	16,300	1,857,423	429,200	46,505,514	16.78
NPL	220,000	8,196,096	149,500	5,644,709	369,500	13,840,805	15.59
OGDC	39,400	6,996,299	5,800	1,075,138	45,200	8,071,437	16.85
PAEL	3,508,100	142,041,991	664,000	27,663,058	4,172,100	169,705,049	17.53
PIOC	1,418,000	101,912,134	3,000	215,834	1,421,000	102,127,968	17.50
PKGP	106,500	2,677,912	18,000	512,797	124,500	3,190,709	17.53
PPL	817,900	123,670,906	144,600	21,806,943	962,500	145,477,850	14.82
PSO	530,100	162,163,657	47,200	15,131,668	577,300	177,295,324	15.51
PTC	3,450,000	73,364,480	18,000	388,942	3,468,000	73,753,422	16.00
SNGP	479,500	11,244,142	210,000	5,002,916	689,500	16,247,058	17.27
SSGC	6,768,900	219,815,286	715,600	24,539,029	7,484,500	244,354,315	17.04
UBL	587,200	88,534,687	35,300	5,394,282	622,500	93,928,969	16.13
TOTAL	88,832,500	3,907,574,303	6,104,400	329,647,505	94,936,900	4,237,221,809	16.28

Risk Disclosure

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