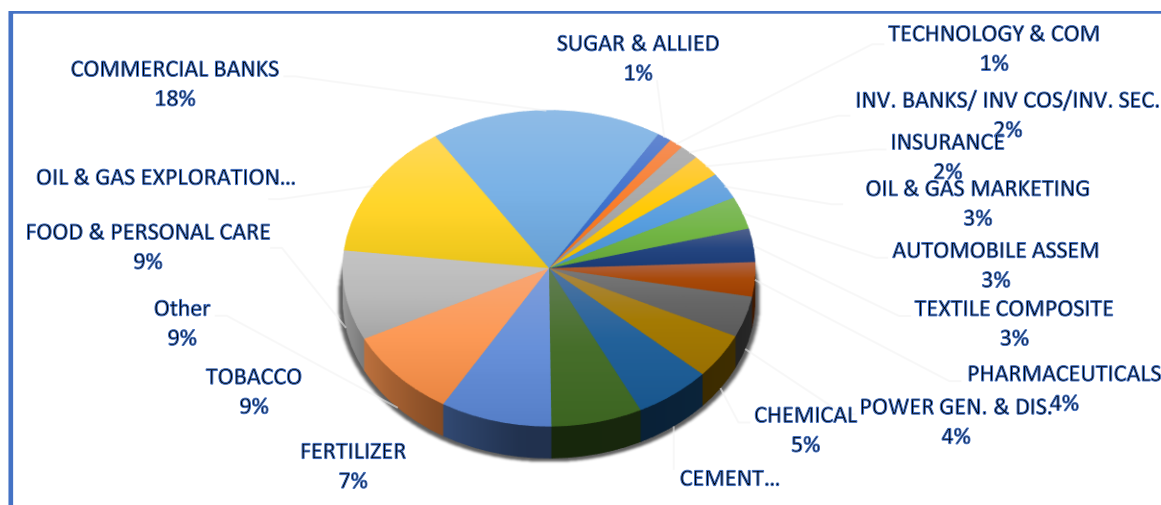


Pakistan Stock Exchange and the COVID-19 Outbreak

Due to the outbreak of COVID-19 in Pakistan, and the resultant disruption to business operations, the Pakistan Stock Exchange (PSX) posted record losses as the Coronavirus scare weighed heavily on investor sentiments. The Covid-19 pandemic has brought volatility in the global markets and created uncertainty among investors. The market has faced a six-year low intra-day value and reduced its value by 28 percent this year.

For investigating the impact of COVID-19 on share prices, we have selected six major sectors of PSX, namely commercial banks, oil and gas exploration companies, food and personal care products, tobacco, fertilizer and cement. Based on the market capitalization of the PSX these six sectors have more than 60% weight in the total value of PSX as shown in Fig-1.

Figure 1: Coverage by Sector on the Basis Market Capitalization



For all the selected six sectors the sector wise market value trends of the month of March plotted on daily basis, along with the company wise monthly losses in percentage are given in tables.

Commercial Banking Sector

The banking sector is the biggest sector of PSX having 18% weight in the total market capitalization of the PSX. The prices of all the twenty listed commercial banks decreases except Bank of Khyber over the month of March 2020, implying that COVID-19 had severely impacted the banking sector of Pakistan. Figure 2 clearly shows that the value equity of the banks decreased from PKR 1.46 trillion to PKR 1.013 trillion in Mar-2020 witnessing a decrease of 36.44 percent.

Figure 2: Market Capitalization of Banking Sector

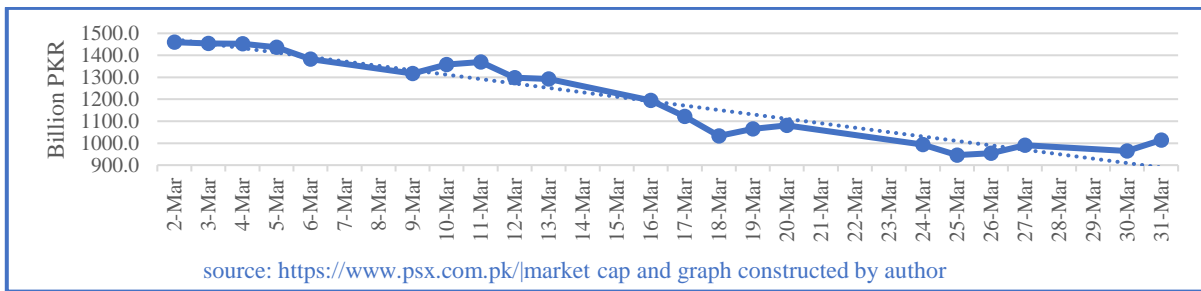


Table 1 reports that United bank limited (UBL) has faced loss of more than 50% decrease in its share price. This decrease in the banking stocks is due to the probability of high future loan losses due to expected economic slowdown in the presence of high interest rates.

Table 1: Percentage Change in the Share Prices of Commercial Banks

Bank	UB	BO	MEB	HBL	BAF	BAH	SCBP	JSB	NB	AKB
Monthly	-	-	-43%	-	-	-	-32%	-	-	-
Bank name	BIP	MC	FAB	SNB	ABL	SILK	HMB	SMB	SBL	BOK
Monthly	-	-	-28%	-	-	-	-24%	-	-3%	2%

Oil and Gas Exploration Companies Sector

The oil and gas exploration is the second largest sector of PSX having 14% weight in the total market capitalization of the PSX. The prices of all the 4 listed companies in oil and gas exploration decrease over the month of March 2020. Figure 3 clearly shows that the value equity of the oil and gas exploration sector decreased from PKR 1.13 trillion to PKR 721.45 Billion in March 2020 witnessing a decrease of 44.65 percent. The COVID-19 had also severely affected this sector.

Figure 3: Market capitalization of Oil and Gas Exploration Sector

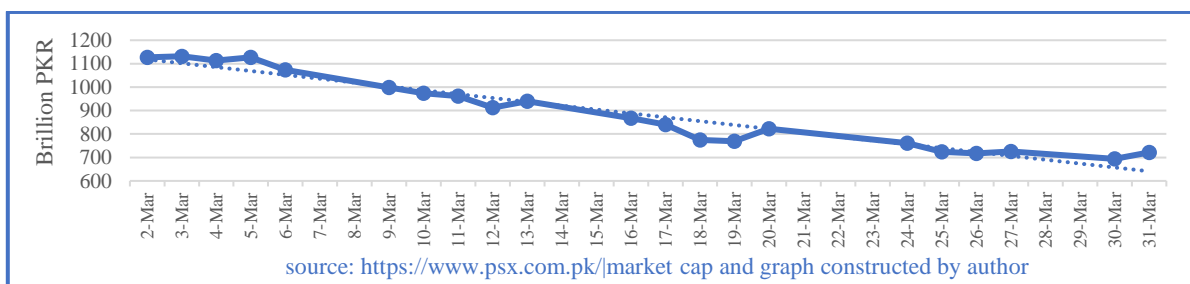


Table 2 reports that the maximum loss is faced by the Oil and Gas Development Company Limited (OGDCL) with 48.33% decrease in its share price. Energy companies are scrambling to adjust to much lower oil prices brought about by dual shocks to both supply and demand. Due to COVID-19 the country-wide lock down has halted most of the business and decrease the demand of the oil.

Table 2: Percentage Change in the Share Prices of Oil and Gas Exploration Companies

Company	MARI	OGDC	POL	PPL
Monthly Returns	-31.64%	-48.33%	-37.45%	-48.29%

Food and Personal Care Products Sector

The food and personal care products is the third largest sector of PSX having 9% weight in the total market capitalization of the PSX. The prices of selected 18 listed companies in food and personal care products decrease except for Rafhan Maize Products Limited (RMPL) over the month of March 2020. The Figure 4 clearly shows that the value equity of the food and personal care products sector decreased from PKR 600 Billion to PKR 527 Billion in March 2020 witnessing a decrease of PKR 73 billion or 13.08 percent, showing the effect of COVID-19.

Figure 4: Market Capitalization of Food and Personal Care Products Sector

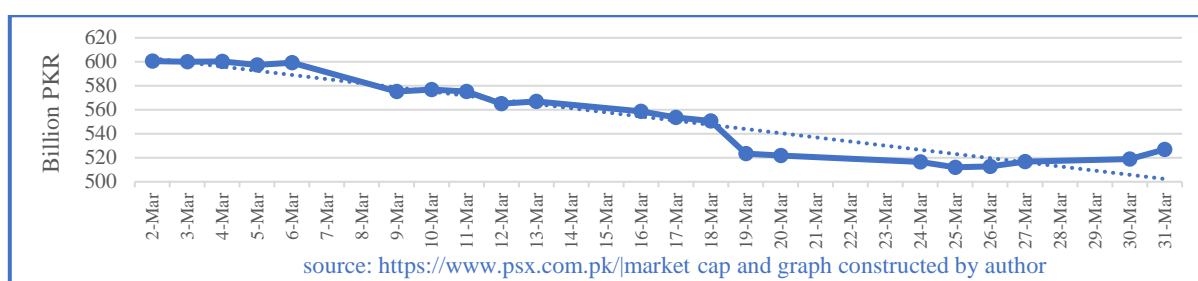


Table 3 reports that the maximum loss is faced by Mitchells Fruit Farms Limited (MFFL) with 41% decrease in its share price. The declining trend started with the start of the Coronavirus pandemic and prior to lockdown. This implies that it was mainly the reduced demand that led to the decline in stock prices.

Table 3: Percentage change in the Share Prices of Food and Personal Care Companies

Company	MFF	SHE	TREE	MFL	AS	SCL	CLO	FFL	NAT
Monthly	-	-	-39%	-33%	-	-	-23%	-23%	-19%
Company	ATT	FRI	QUIC	NESTL	ZIL	GLP	UPF	MURE	RMP
Monthly	-	-	-16%	-15%	-	-	-6%	-5%	2%

Tobacco Sector

The tobacco sector is the fourth largest sector of PSX having 9% weight in the total market capitalization of the PSX. The prices of all 3 listed companies in the sector decrease in the month of March 2020. The Figure 5 shows that the value equity of the tobacco sector decreased from PKR 584.89 billion to PKR 534 billion in March 2020 witnessing a decrease of 9.07 percent.

Figure 5: Market capitalization of Tobacco Sector

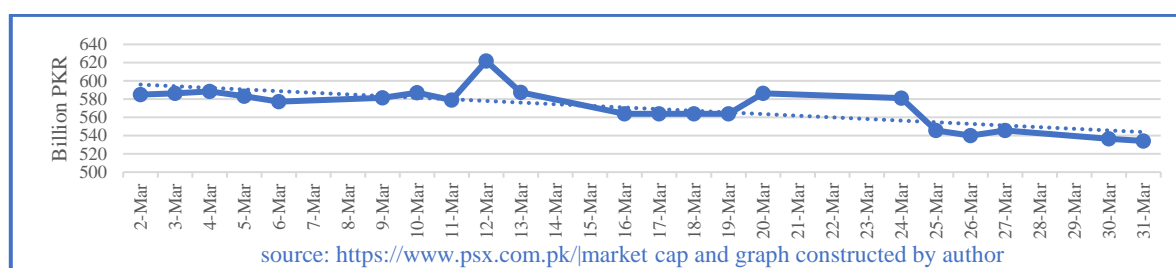


Table 4 reports that the maximum loss is faced by Philip Morris (Pakistan) Limited (MFPL) with 30.20% decrease in its share price.

Table 4: Percentage change in the Share Prices of Food and Personal Care Companies

Company	KHTC	PAKT	PMPK
Monthly Returns	-28.30%	-2.68%	-30.20%

Fertilizer Sector

The fertilizer sector is the fifth largest sector of PSX having 7% weight in the total market capitalization of the PSX. The prices of all 6 listed companies in the sector decrease in the month of March 2020. Figure 6 clearly shows that the value equity of the fertilizer sector decreased from PKR 492.56 billion to PKR 417.77 billion in March 2020 witnessing a decrease of 16.47 percent.

Figure 6: Market capitalization of Fertilizer Sector

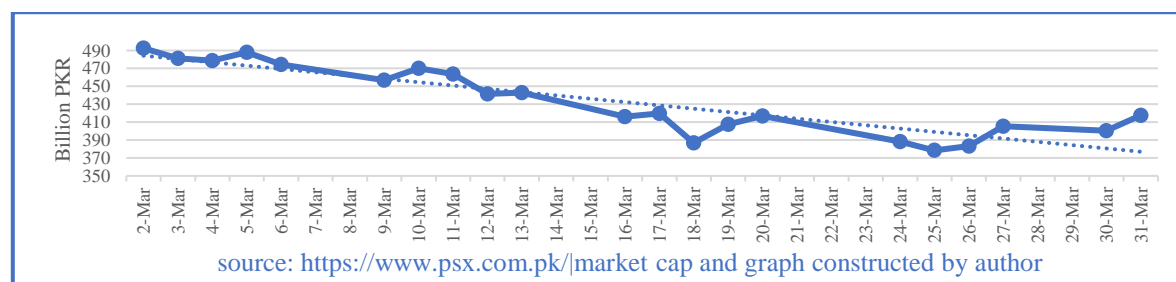


Table 5 reports that the maximum loss is faced by Fauji Fertilizer Bin Qasim Limited (FFBL) with 30.20% decrease in its share price. Fertilizer is one of the important components of food supply chain input which the outbreak of COVID has adversely affected. Limitation on the movement of both fertilizers and raw material suppressed both demand and supply for all relevant products reflecting in lowering share prices of these products.

Table 5: Percentage Change in the Share Prices of Fertilizer Companies

Company	AHCL	ENGRO	EFERT	FATIMA	FFBL	FFC
Monthly Returns	-5.1%	-20.8%	-13.5%	-15.5%	-27.8%	-12.6%

Cement Sector

The cement sector is the sixth largest sector of PSX having 6% weight in the total market capitalization of the PSX. The prices of 16 companies out of 18 selected listed companies in the sector decrease in the month of March 2020. The Figure 7 shows that the value equity of the sector decreased from PKR 390.02 billion to PKR 316.89 billion in March 2020 witnessing a decrease of 20.77 percent.

Figure 7: Market capitalization of Cement Sector

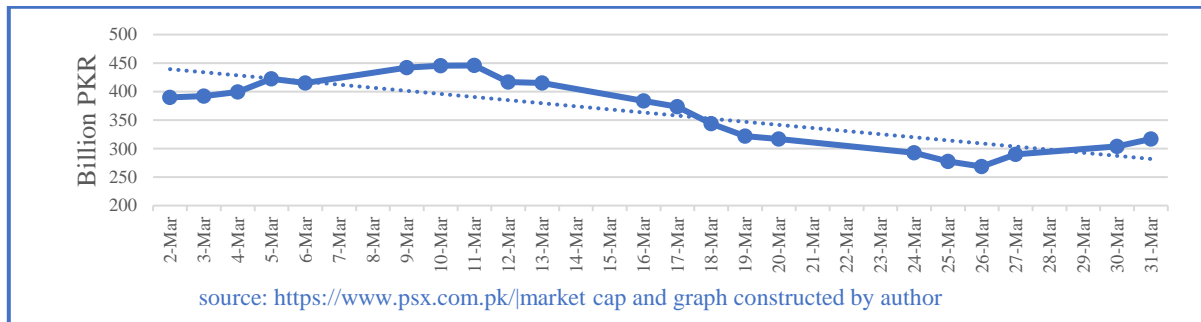


Table 6 shows that the maximum loss is faced by Dandot Cement Company Limited (DNCC) with 39% decrease in its share price. COVID 19 has also put lot of stress on cement sector, both on the local and international demand. 80% of our cement is exported to two major importers, Sri Lanka and Bangladesh, and they too are facing lock down situation. Due to reduced demand 11 plants are completely shutdown and remaining 14 plants are in partial shutdown phase.

Table 6: Percentage change in the share prices of Cement sector Companies

Company	DNC	LUC	FLYN	THC	DCL	SMC	MLC	DGK	POW
Monthly	-	-	-33%	-30%	-26%	-23%	-	-	-18%
Company	ACP	KOH	PIOC	CHC	FECT	FCCL	BW	JVD	GWL
Monthly	-	-	-10%	-9%	-9%	-8%	-5%	3%	5%

The bloodbath at the PSX is synchronized with the global market trend, where stock markets from the US to Europe and Middle East to Australasia have witnessed heavy losses due to COVID-19. As the world's stock markets are free falling, we must not be too worried about the performance of the PSX. The market halted regulations are in place in all the markets and such structural shocks are inescapable during an event of this magnitude. I believe the market will gradually recover after the pandemic.

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