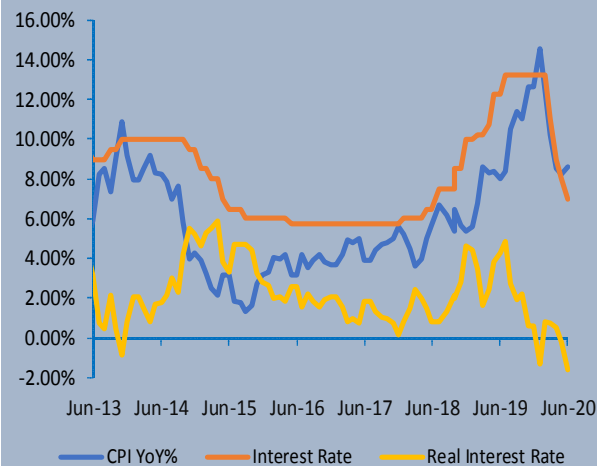


July 2, 2020

### Consumer Price Index Trend



Source: PBS, SBP & WE Research

### Key Economic Indicators

Forex Reserves (19-Jun-20)	\$17.775bn
Exports (Jul'19-May'20)	\$19.80bn
Imports (Jul'19-May'20)	\$40.85bn
Trade Balance (Jul'19-May'20)	\$(21.06)bn
Current A/C (Jul'19-May'20)	\$(3.29)bn
Remittances (Jul'19-May'20)	\$20.65bn

Source: SBP

- In-line with our expectations, the NCPI for the month of June'20 clocked in at 8.59%YoY versus to 8.22%YoY last month and 7.92% same period last year, taking the FY20 average inflation to 10.76% as compared to 6.74% in FY19.
- On MoM basis the NCPI witnessed a growth of 0.82% due to rise food index as well as clothing and footwear index 2.10% and 0.79%, respectively.
- Going forward the NCPI is expected to grow slightly before declining in the last quarter of CY20.

### Headline inflation for June'20 arrives at 8.59%YoY/+0.82%MoM

According to the data published by PBS for the month of June, the headline inflation clocked in at 8.59% YoY versus 8.22%YoY in May'20 and 7.92% same period last year. On MoM basis the NCPI witnessed a growth of 0.82%, mainly due to rise in food inflation (+2.10%) and clothing and footwear index (+0.79%), whereas the impact was partially offset by transportation index declining (-1.06%).

In food index the items that observed a major jump in MoM prices include eggs (+21.71%), wheat flour (+11.92%), and tomatoes (+13.09%). Whereas the items that witnessed a decline in MoM prices were onions (-17.07%), pulse gram (-5.84%), and fresh fruits (-4.36%).

The clothing and footwear index surged 0.79% due to an increase in prices of cotton cloth (+1.76%).

On the other hand transportation index witnessed a decline of 1.06% MoM. The petrol prices reduced 8.59% whereas diesel prices increased 0.15% during the period under review.

The urban CPI recorded an increase of 7.65%YoY as compared to 7.3% in May'20. While the rural inflation increased by 10.03% YoY and 9.7% in May.

Going forward the headline inflation is expected to grow further in the upcoming months particularly due to food index i) rising food prices during Eid, ii) locust attacks threatening the agricultural sector as well as transportation index with the recent surge in petrol prices.

### Consumer Price Index (CPI)

Source: PBS, WE Research

	Weight	Jun'20	May'20	MoM	Jun'19	YoY
<b>General</b>	<b>100%</b>	<b>132.08</b>	<b>131.01</b>	<b>0.82%</b>	<b>121.63</b>	<b>8.59%</b>
Food	34.58%	134.90	132.13	2.10%	117.75	14.56%
Bev. & Tobacco	1.02%	137.90	137.65	0.18%	120.72	14.23%
Clothing & Footwear	8.60%	135.64	134.58	0.79%	122.15	11.04%
Housing	23.63%	128.43	128.63	-0.16%	121.82	5.43%
F&H Equipment	4.10%	129.33	128.74	0.46%	118.91	8.76%
Health	2.79%	140.67	140.36	0.22%	128.75	9.26%
Transport	5.91%	122.95	124.27	-1.06%	136.97	-10.24%
Communication	2.21%	106.96	106.96	0.00%	105.31	1.57%
Recreation & Culture	1.59%	119.96	119.85	0.09%	114.49	4.78%
Education	3.79%	142.40	142.40	0.00%	139.64	1.98%
Restaurants & Hotels	6.92%	131.81	131.12	0.53%	120.98	8.95%
Miscellaneous	4.87%	138.30	137.16	0.83%	123.87	11.65%

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WE Financial Services Ltd. uses three rating categories, depending upon return form current market price, with Target period as June 2018 for Target Price. In addition, return excludes all type of taxes. For more details kindly refer the following table;

Potential to target price	
Buy Upside	More than +10% from last closing price
HOLD	In between -10% and +10% from last closing price
SELL	Less than -10% from last closing price

### Equity Valuation Methodology

WE Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Relative valuation (P/E, P/B, P/S)
- Equity & Asset return based (EVA, Residual income)

### Risks

The following risks may potentially impact our valuations of subject security(ies);

- Market Risk
- Interest Rate Risk
- Exchange rate risk

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