

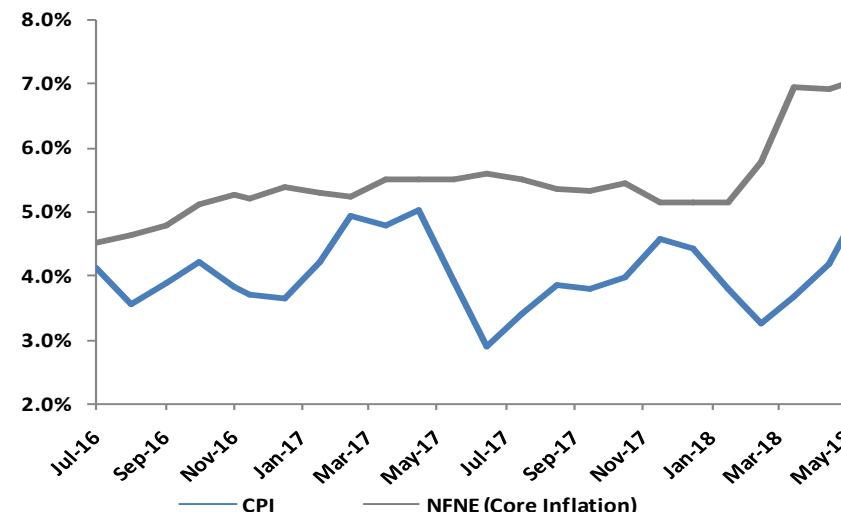
- We expect Jul'18 headline inflation to clock at 5.6% YoY as compared to 2.9% in SPLY. Surge in CPI is expected to come from quarterly review of house rent, increase in both fuel and food prices. NFNE inflation is expected to remain at 7.1% in Jul' 18
- Food index is expected to inflate by 5.6% YoY where major contributors would be tomatoes, wheat flour, onions and fruits which is expected to increase by 62%, 8.7%, 8.3% and 11% respectively.
- Transportation index (weighs 7.20% in overall CPI index) is expected to increase by 1.8%/13.1% MoM/YoY due to rise in fuel prices
- On monthly basis, we expect CPI to clock at 0.75% in Jul'18 as compared to 0.57% in Jun'18. Major increase is expected to witness in food, clothing, housing and transport indexes.
- We expect FY19E inflation to be remained around 6.5%, however the current uncertainty in exchange rate and mounting current account deficit remain key risk to our inflation target for FY19

Fig.1 CPI Index YoY

Groups	Index Weight	July'17 Index	July'18E Index	YoY
General	100%	216.19	228.38	5.6%
Food	34.83%	229.99	238.40	3.7%
Beverages and Tobacco	1.41%	306.67	314.62	2.6%
Clothing & Footwear	7.57%	238.66	255.25	7.0%
Housing	29.41%	198.88	209.91	5.5%
Household Equipment	4.21%	227.74	240.59	5.6%
Health	2.19%	212.91	224.35	5.4%
Transport	7.20%	175.18	198.19	13.1%
Communication	3.22%	132.88	133.61	0.6%
Recreation and culture	2.02%	196.09	208.37	6.3%
Education	3.94%	249.54	281.89	13.0%
Restaurants and hotels	1.23%	278.44	292.90	5.2%
Misc. goods and services	2.76%	247.19	264.26	6.9%

Source: PBS, AS Research

Fig.2 CPI vs NFNE



Source: PBS, AS Research

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- **Valuation Methodology**

To arrive at period end target price, Abbasi Securities uses different valuation methodologies:

- Comparable Method (P/E, P/B etc.)
- Discounted Cash flow Method
- Equity and Asset based valuation

- **Rating**

- BUY Total return more than 20% from last closing of market price
- HOLD Total return is in between 10% and 20% from last closing of market price
- REDUCE Total return is less than 10% from last closing market price



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