

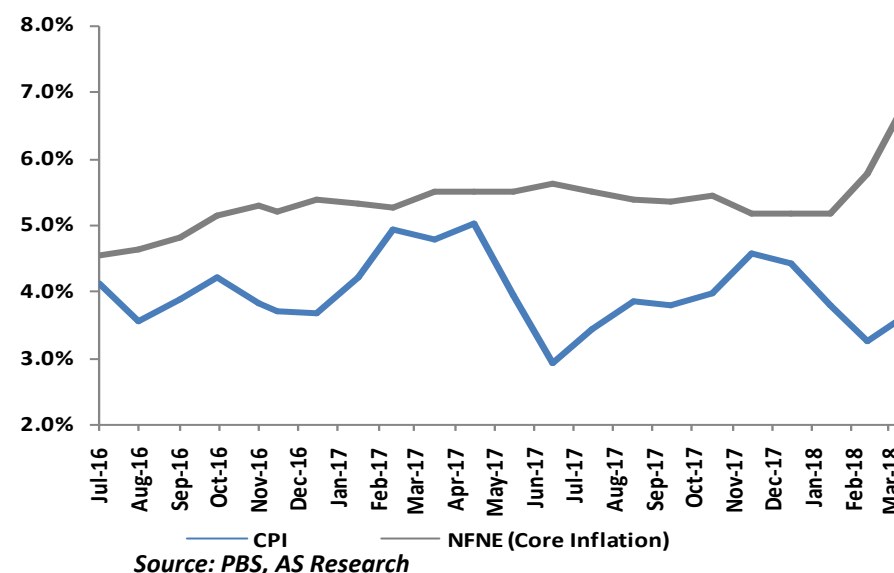
- We expect CPI inflation for the month of May'18 to reach at 4.3% YoY as compared to 3.7% YoY in Apr'18. Rise in CPI index is expected due to increase in food and transportation indexes which is up by 2.3% and 7% respectively.
- With the commencement of Ramadan season food item witness increase in prices particularly potato, chicken and tomatoes prices are increased by 21.03%, 16.63% and 3.82% MoM respectively. Transportation index having weight of 7.20% in overall CPI index also up by 0.66%/7% MoM/YoY due to increase in fuel prices.
- On monthly basis we expect CPI to clock at 0.62% in May'18 as compared to 1.82% in Apr'18, slowdown in May' 18 is due to higher base affect of last month. NFNE inflation is expected to remain at 6.9% in May' 18
- We expect FY18E inflation to remain around 4% but we expected this to increase in coming periods as the lag impact of PKR depreciation still to come along with an increase in oil prices
- SBP is schedule to announce monetary policy on 25th May for the next 2 months. To recall, SBP kept policy rate unchanged in its last monetary policy review. While this time around, we expect SBP to increase policy rate by 25bps to 6.25%. Our expectation of increase in policy rate is based on 1) inflationary pressure which is expected to further escalate in coming months 2) increase in CA deficit along with depleting FX reserves and 3) higher NFNE inflation (i.e. core inflation) which is hovering around 7% (as mention in Fig.2 below)

Fig.1 CPI Index YoY

Groups	Index Weight	May'17 Index	May'18E Index	YoY
General	100%	216.34	225.64	4.3%
Food	34.83%	229.65	234.97	2.3%
Beverages and Tobacco	1.41%	383.32	318.17	-17.0%
Clothing & Footwear	7.57%	236.71	254.83	7.7%
Housing	29.41%	196.70	207.39	5.4%
Household Equipment	4.20%	226.42	239.29	5.7%
Health	2.18%	212.65	223.07	4.9%
Transport	7.20%	176.43	188.73	7.0%
Communication	3.21%	132.87	133.68	0.6%
Recreation and culture	2.02%	196.12	207.96	6.0%
Education	3.94%	249.23	281.57	13.0%
Restaurants and hotels	1.23%	277.29	291.05	5.0%
Misc. goods and services	2.75%	245.99	263.59	7.2%

Source: PBS, AS Research

Fig.2 CPI vs NFNE



Source: PBS, AS Research

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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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