

DAWN

Muhammad Kashif (June 21, 2024)

Another spectacular rally tosses PSX to record closing above 78,000

KARACHI: Despite growing voices from almost all sectors of the economy over the proposed budgetary taxation measures for 2024-25, the stock market extended its record-setting spree to the third consecutive session after the Eid holidays on Thursday, propelling the benchmark KSE 100 index to an all-time high above 78,000.

Media reports suggest that, except for the capital market, representative chambers of almost all other sectors of the economy are protesting and urging the government to review its ambitious plans to improve the tax-to-GDP ratio by projecting an abnormally huge revenue collection target burdening the industry with imposing new taxes and withdrawing exemptions even when the Federal Board of Revenue is set to miss the current year's downward revised target.

However, explaining reasons for this robust equity market performance, AKD Securities Ltd Chief Executive Officer Muhammad Farid Alam told Dawn that the index surged because there were no significant changes to the capital gains tax for equity investors as was in the news. The budgetary measures were aligned with the International Monetary Fund guidelines, which have increased the likelihood of securing a new IMF loan.

Additionally, he added that the positive comments from credit rating agencies regarding Pakistan's contractionary budget and the lack of additional aggressive taxation on heavy-weight banks contributed to the index's strong performance.

“Slower economic growth is expected to stabilise the rupee and reduce imported inflation, thereby enhancing the outlook for further monetary easing,” he observed.

Mr Farid believes the normalisation of the taxation regime for exporters would impact their expansion plans, and he expects the tax rates to be rationalised before the budget approval.

Also, a Rs200 billion subsidy package on electricity bills for industries would help partially offset the effects of fiscal contractionary measures on growth. The market is still cheap on various variables which equity investors see locally and internationally.

<https://www.dawn.com/news/1840966/another-spectacular-rally-tosses-psx-to-record-closing-above-78000>