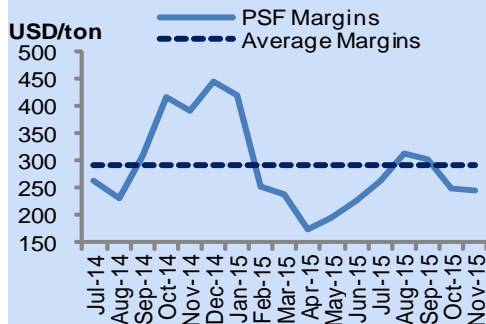


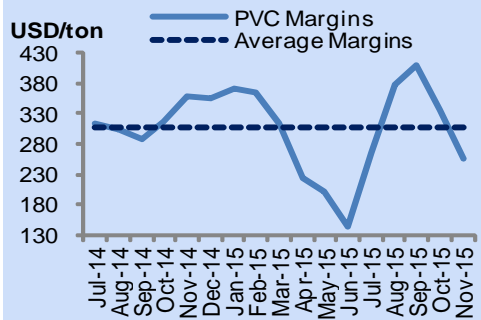
Petrochemical Margins

Chemicals

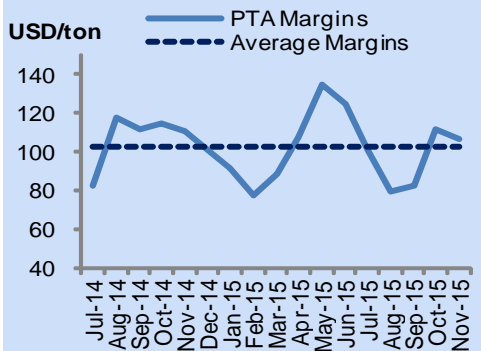
Petrochemical margins in the red

PSF Cash Margins


Source: Bloomberg, Yarn Market Association, AHL Research

PVC Cash Margins


Source: Bloomberg, AHL Research

PTA Cash Margins


Source: Bloomberg, AHL Research

Analyst

Rao Aamir Ali
amir.rao@arifhabibltd.com
+92-21-32460742

www.arifhabibltd.com

Petrochemical margins shrank during Nov-15, attributable to lower oil prices, which ended down 7.3% MoM to average USD 42.9/bbl (WTI). PSF margins stood at USD 247/ton, PVC at USD 257/ton and PTA at USD 107/ton. The latest monthly figures are negative for both LOTCHEM and ICI.

Exhibit: Petrochemical Margins

(USD/ton)	Nov-15	Oct-15	MoM	Nov-14	YoY
PSF Margins	247	249	-1.1%	392	-37.1%
PVC Margins	257	335	-23.4%	357	-28.2%
PTA Margins	107	112	-4.9%	111	-3.5%

Source: Bloomberg, Yarn Market Association, AHL Research

Shrinking end-product (PSF) prices off-set gains from cheaper inputs

PSF margins fell marginally by 1% MoM (down 37% YoY) to USD 247/ton as higher PTA prices (USD 615/ton) (up 1% MoM) pushed up input costs. Moreover, there was a 2% MoM decline in PSF prices to USD 1,085/ton. However, the drop in margins was dulled by lower MEG prices (USD 599/ton), down 9.8% MoM. The decline in MEG prices was mainly due to weaker downstream product demand.

PVC margins remain dull MoM due to rising Ethylene prices

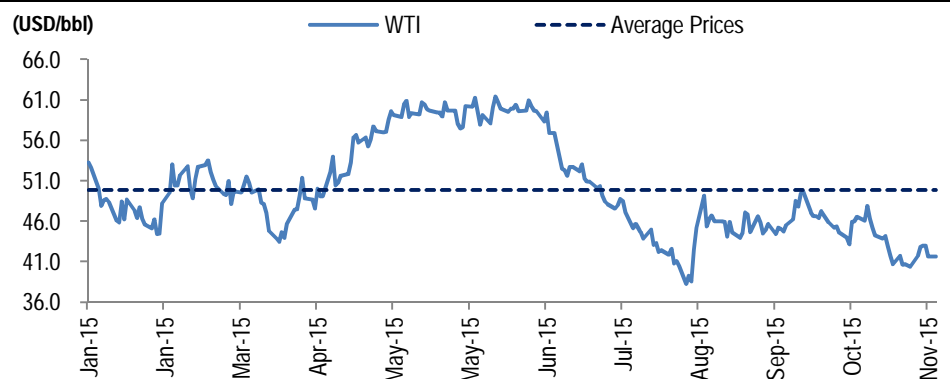
PVC margins plunged by 23.4% MoM (down 28.2% YoY) to USD 257/ton during Nov-15. The diminution in margins is mainly on the back of the rise in Ethylene prices, up 10% MoM to USD 997.5/ton; coupled with decline in PVC prices, down 4% MoM to USD 760/ton. PVC prices were down due to abundant product availability coupled with bearish buying in major Asian market, mainly in China.

Higher Paraxylene prices kept PTA margins in check

PTA margins dwindled by 5% MoM (down 4% YoY) to USD 107/ton. Albeit, PTA prices were up by a meagre 1% MoM, prices of Paraxylene witnessed a 2% MoM growth to USD 770/ton; net effect of change in prices in the value chain kept the margins down.

World supply expected to add to the glut

Reliance Industries Limited (RIL) is likely to commence operations of its PX plant; likely to begin production in 2QCY16 (Production Capacity: 2.2mn ton/year). While, Ningxia Baota Chemical Fibber Co. is likely to commence operations of its new PTA plant (production capacity 1.2mn ton/year) in CY18.

Exhibit: WTI prices trend


Source: Bloomberg, AHL Research

Equities

KSE Data					International Stock Markets (returns are USD based)						
9-Dec-15	Index	Change	CYTD	FYTD	9-Dec-15	Index	Change	CYTD	DY (%)	P/E (x)	P/B(x)
All Shares Index	22,945.45	91.94	-1.9%	-4.5%	KSE100*	33,020	0.4%	-0.6%	6.4	8.4	1.5
KSE100 Index	33,020.26	228.55	2.8%	-4.0%	BSE-30	25,036	-1.1%	-13.8%	1.7	16.9	2.4
KSE30 Index	19,384.26	175.83	-6.7%	-10.1%	CSI 300	3,636	0.1%	4.7%	1.9	14.1	1.9
KMI30 Index	55,096.01	395.75	8.6%	-3.8%	Vietnam	565	-1.5%	0.1%	3.6	13.5	1.9
					Hang Seng	21,804	-0.5%	-7.2%	3.6	10.9	1.2
SCRA (mn US Dollar)	Daily	MTD		FYTD	Nikkei 225	19,301	0.2%	9.1%	1.7	18.5	1.6
1-Dec-15	10.95	-6.57		(355.51)	Straits Times	2,861	-0.2%	-19.8%	4.1	12.5	1.1
FIPI (US Dollar 000)	Buy Value	Sell Value		Net Value	Tadaw ul	7,001	0.1%	-17.5%	3.6	13.5	1.6
Foreign Individuals	38.4	(50.1)		(11.7)	FTSE-100	6,127	-1.3%	-4.0%	4.2	15.4	1.7
Foreign Corporates	12,517.7	(11,933.4)		584	Dow Jones	17,492	-0.4%	-2.7%	2.5	15.9	3.0
Overseas Pakistani	1,789.9	(2,150.1)		(360.1)	NASDAQ	5,023	-1.5%	5.1%	1.2	22.8	3.6
Total	14,346	(14,133)		212	S&P 500	2,048	-0.8%	-1.6%	2.2	17.3	2.7

Fixed Income/Forex

10-Year Govt Bond Yields				Tbills/PIBs			Secondary Market Yields			Cut-off Yields	
Country	9-Dec-15	8-Dec-15	Change (bps)		9-Dec-15	8-Dec-15	Change (bps)	Current	bpsΔ		
Pakistan	9.31%	9.32%	(1.0)	03-Month T.Bill	6.37%	6.37%	-	6.39%	-		
Brazil (USD)	6.41%	6.39%	2.0	06-Month T.Bill	6.40%	6.40%	-	6.39%	-		
Australia	2.81%	2.83%	(2.0)	12-Month T.Bill	6.44%	6.44%	-	6.31%	-		
UK	1.87%	1.82%	5.0	03-Year PIB	7.14%	7.16%	(2.00)	7.03%	(17)		
US	2.22%	2.22%	-	05-Year PIB	8.22%	8.29%	(7.00)	8.00%	(18)		
Germany	0.60%	0.57%	3.0	10-Year PIB	9.31%	9.32%	(1.00)	9.15%	(8)		
Japan	0.30%	0.30%	-								
Description	9-Dec-15	8-Dec-15	Change	PKR/US Dollar			KIBOR Rates				
				9-Dec-15	Open Mkt	Interbank	Tenor		Rate		
Pakistan 5-Year CDS	4.78%	4.78%	0.01%	Buy	105.00	103.89	03-Month		6.52%		
Pak. Euro Bond (Yield)	3.62%	3.59%	0.04%	Sell	105.30	103.99	06-Month		6.54%		
Pak. Euro Bond (Price)	101.01	101.05	(0.04)	CYTD	4.67%	3.40%	01-Year		6.81%		

Commodities

Commodity	Current	Previous	Change
Local (PKR)			
Cement (bag)**	518.53	517.29	0.24%
Urea (bag)**	1,922.00	1,920.00	0.10%
Furnace Oil (MT)***	35,998.62	35,930.02	0.19%
Cotton (Mauud)	5,200.00	5,200.00	0.00%
International (US Dollar)			
WTI (bbl)	37.16	37.51	-0.93%
Arabligh (bbl)	35.13	35.51	-1.07%
Brent (bbl)	39.68	39.68	0.00%
Silver (ton)	14.16	14.17	-0.05%
Coal Forw ard (ton)	48.60	49.10	-1.02%
Gold (oz)	1,072.78	1,074.96	-0.20%
Steel (ton)	284.97	285.28	-0.11%

Up Coming Board Meetings

Company	Period	Date	Time	Place
Archroma Pakistan Ltd	4Q	17-Dec	11:00 AM	Karachi
Siemens Pak. Eng. Co. Ltd	4Q	17-Dec	4:00 PM	Dubai

* AHL Universe Estimates (DY, P/E and P/B) ** Price updated on weekly basis, *** Price updated on fortnightly basis

December 10, 2015

Analyst Certification: The research analyst(s) is (are) principally responsible for preparation of this report. The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject security (ies) or sector (or economy), and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. In addition, we currently do not have any interest (financial or otherwise) in the subject security (ies). Furthermore, compensation of the Analyst(s) is not determined nor based on any other service(s) that AHL is offering. Analyst(s) are not subject to the supervision or control of any employee of AHL's non-research departments, and no personal engaged in providing non-research services have any influence or control over the compensatory evaluation of the Analyst(s).

Risks

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

- **Market risk**
- **Interest Rate Risk**
- **Exchange Rate (Currency) Risk**

Disclaimer: This document has been prepared by Research analysts at Arif Habib Limited (AHL). This document does not constitute an offer or solicitation for the purchase or sale of any security. This publication is intended only for distribution to the clients of the Company who are assumed to be reasonably sophisticated investors that understand the risks involved in investing in equity securities. The information contained herein is based upon publicly available data and sources believed to be reliable. While every care was taken to ensure accuracy and objectivity, AHL does not represent that it is accurate or complete and it should not be relied on as such. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. AHL reserves the right to make modifications and alterations to this statement as may be required from time to time. However, AHL is under no obligation to update or keep the information current. AHL is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Past performance is not necessarily a guide to future performance. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his or her own advisors to determine the merits and risks of such investment. AHL or any of its affiliates shall not be in any way responsible for any loss or damage that may be arise to any person from any inadvertent error in the information contained in this report.