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# Inflation Preview

## Implications For the Policy Rate & Yield Curve

Pakistan · Macroeconomics & Fixed Income · Sep 2026

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# Sep 2026 Inflation Preview

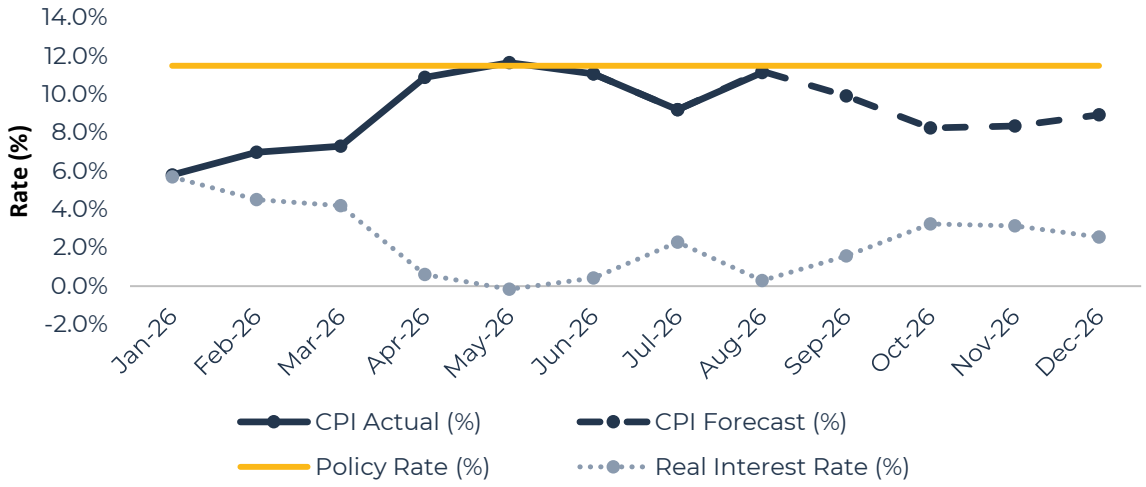
| Sep MoM (FORECAST) | Sep YoY (FORECAST) | IMPLIED REAL RATE |
|---|---|---|
| 0.96% | 9.91% | 1.59% |

## Key Forecast Drivers

September CPI is projected to grow at a decelerated pace of +0.96% MoM (headline index reaching 303.41), down from August's +1.19% rise. Headline inflation is estimated to moderate to 9.91% YoY from 11.15% in August, reflecting the statistical dampening from an elevated prior-year base

Compositionally, sequential momentum is almost entirely governed by energy and fuel shocks. The HWEGF group is expected to expand by +2.56% MoM, propelled by electricity tariff adjustments following high July FPA and positive QTA, alongside a +5.86% MoM increase in LPG. Simultaneously, the Transport group is expected to rise +4.51% MoM, driven by retail fuel price hikes amid heightened Middle East geopolitical tensions. In contrast, the Food & Non-Alcoholic Beverages index moderates at -0.1% MoM, as mid-month softening across weekly SPI perishable items contained overall food momentum despite the significant growth in the price of Onions.

The implied real rate is expected to widen towards 1.59% compared to 0.45% in Aug.




Sep-26 onward = Chase Research Baseline Forecast. Source: PBS, SBP, Chase Research.

# Inflation Outlook & Implication For Yields and The Policy Rate

## Inflation Outlook

Our baseline disinflation trajectory remains intact, with headline inflation projected to taper gradually from current levels. The statistical drag from an unfavorable low base has largely dissipated, while the index has already absorbed the bulk of recent food price pressures alongside the pass-through of higher international crude costs into domestic retail fuel. However, persistent geopolitical friction in the Middle East, and developing El Nino conditions represent the primary upside risk to this outlook.

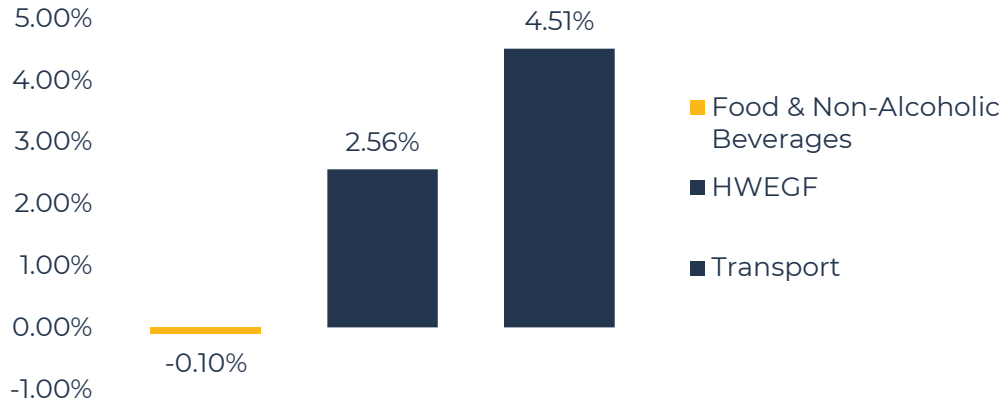
## Monetary Policy Outlook

The Monetary Policy Committee (MPC) voted 7–3 to hold the policy rate steady. The SBP is expected to sustain positive forward-looking real interest rates amid prevailing global monetary tightness and heightened Middle East geopolitical tensions. With headline inflation projected to converge toward the upper bound of the target range by fiscal year-end, the prevailing stance is assessed as sufficiently restrictive to anchor underlying price pressures thereby justifying a pause over the near-term, with the trajectory of external geopolitical shocks remaining the critical swing factor.

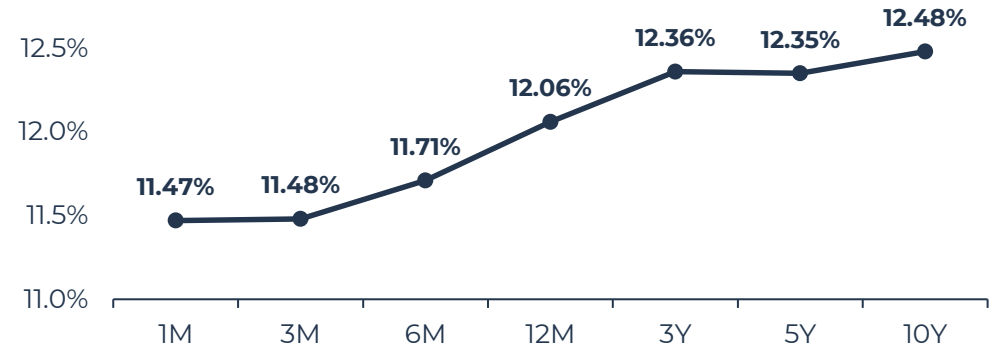
## Yield Curve Dynamics

Market pricing in September reflects anchored near-term policy expectations, while a pullback in expectations of aggressive medium-term rate cuts has eliminated the previous belly inversion, shifting the curve into a positive slope through the 3Y tenor before plateauing across the 5Y and steepening toward the 10Y.

**September-26 MoM: by Group: Transport & HWEGF, Food Moderates**




**PKRV Secondary Market Yield Curve**




Source: MUFAP, Chase Research.

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|---|---|
| Buy | Total stock return > 15% |
| Neutral | Total stock return between 0% -15% |
| Sell | Total Stock return < 0% |

* Total stock return = capital gains + dividend yield

**Valuation Methodology:**

- Period end target prices, Chase Securities Pakistan Private Limited uses different valuation methodologies including but not limited to:
- Discounted cash flow (DCF, DDM)
- Relative Valuation (P/E, P/B, P/S etc.)
- Equity & Asset return o arrive at our based methodologies (EVA, Residual Income etc.)

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