On October 11, 2026, the federal government announced emergency and governor's rule in Khyber Pakhtunkhwa under Articles 232 and 234 of the Constitution, effectively ending the existing provincial government's authority. The development adds to Pakistan's political uncertainty and could weigh on investor sentiment at the Pakistan Stock Exchange (PSX). The KSE-100 Index had already declined by 1,066 points to close at 167,089 in the preceding week, leaving sentiment vulnerable to further uncertainty.

The initial reaction may involve profit-taking and a shift towards defensive, dividend-paying stocks, although the scale and duration of any sell-off will depend on political developments and the risk of wider disruption.

- Sectoral implications: Banking and other high-beta equities are likely to face greater volatility as investors reassess political and macroeconomic risks. Cement and infrastructure stocks may be affected by concerns over regional logistics and potential delays in public-sector development spending, while power-sector sentiment could weaken if political uncertainty complicates energy-sector reforms. In contrast, fertilizer companies and oil and gas exploration firms may offer relative resilience, supported by dividend income, recurring demand or global commodity-price exposure.
- Investment view: Near-term trading is likely to remain sentiment-driven, with the KSE-100 potentially testing support levels if political tensions intensify. Investors should monitor the scale of protests, security conditions, government continuity and foreign investor flows. A prolonged sell-off is not inevitable: if the situation stabilizes without wider disruption, market sentiment could recover, with the IMF program and macroeconomic fundamentals remaining important medium-term drivers. Defensive, fundamentally sound, high-dividend-yielding stocks may warrant attention during market weakness, subject to valuation and earnings outlook.

PSX Impact Assessment: Emergency Declaration in KPK

Historical Political Shocks & Market Dynamics					
Historical Event	**Market Behavior**	**Market Fall**	**Market Recovery**	**Market Recovery %**	**Market Recovery Time**
Assassination of Benazir Bhutto (Dec 2007)	**Systemic Shock:** Immediate panic-driven liquidation on the first trading session after the event.	**-4.50% to -5.00%** in a single trading session.	**Institutional Re-entry:** The market bottomed out as liquidity support stabilized the index by mid-January.	**~100%** (Full recovery to pre-event levels).	**15 to 20 trading days**.
PTI & PAT Dharna / Long Marches (Aug 2014)	**Prolonged Volatility:** Persistent capital outflows and lower trading volumes due to extended capital gridlock.	**-4.20%** accumulated over the first 5 trading sessions.	**Sentiment Reversal:** Gradual accumulation of value stocks after physical protests stayed localized in Islamabad.	**>100%** (Broke into a new long-term bull cycle).	**11 to 15 trading days** once macro policy resumed.
Ousting of PTI Gov. / No-Confidence Vote *(Apr 2022)*	**Intraday Volatility:** Extreme panic over constitutional gridlock, the National Assembly's brief dissolution, and the subsequent midnight removal of Prime Minister Imran Khan.	**-2.70%** (-1,200 points) on the initial opening session.	**Policy Clarity:** Strong buying emerged after Shehbaz Sharif took office, pledging fiscal rectitude and IMF engagement.	**~100%** (Recovered to pre-crisis baselines within weeks).	**5 to 7 trading days** following judicial resolution.
Post-Election Hang / Coalition Victory *(Feb 2024)*	**Delayed Results Panic:** Heavy selling as a "hung parliament" looked likely, combined with delayed election outcomes and surging political division.	**-3.24%** (Plunged over 2,000 points intraday; closed down 1,700 points).	**Consensus Formation:** Value-hunting by institutions intensified as PML-N and PPP finalized the coalition government framework.	**~100%** (Bounced back to form the base of the massive 2024–2026 bull run).	**2 to 3 trading sessions** to snap the losing streak.
Protest Failure / Negotiation Collapse *(Oct 2026)*	**Flash Sell-off & Fast Reversal:** Rapid panic-selling over local march threats, followed by an immediate macro-driven rally.	**-1.36%** (-2,288 points) in a single Monday session.	**Dialogue Hopes:** Immediate rebound fueled by the state's call for dialogue and positive IMF mission feedback.	**113.3%** (+2,592 points gained on Tuesday).	**24 hours** (Next trading session).

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Reduce	<=-5% to >=-20% downside potential
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