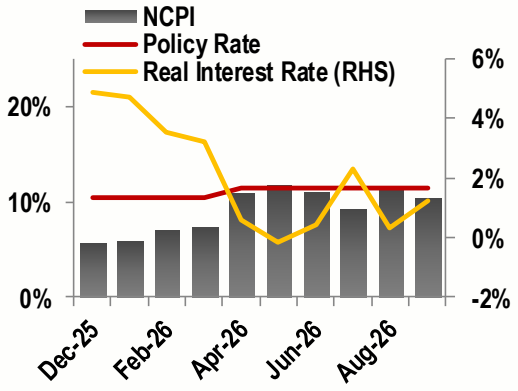
TAURUS SECURITIES LIMITED
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Insight—Economy—Oct'26 Monetary Policy Preview

Status Quo likely to prevail yet again at the MPC

- State Bank of Pakistan's Monetary Policy Committee (MPC) is scheduled to meet on Monday October 26, 2026 wherein we anticipate the MPC to vote for maintaining **'Status-Quo'**, keeping the benchmark policy rate '**Unchanged**' at '**11.50%**'.
- Taking cue from the discussions and the voting pattern at the last MPC meeting in Sep'26 (wherein we expected a 50bps hike), we believe the MPC may continue to see the current risks to the inflationary outlook as manageable in light of the recently achieved macroeconomic stabilization, specially on the external front.
- However, the MPC does remain cognizant of a worsened NCPI outlook for the rest of FY27 due to the geopolitical conditions as outlined in its statement after the Sep'26 'no-change' announcement. The point is even while recognizing that headline inflation may remain in double-digits in the near term and outside the bounds of its target range of 5-7%; the real-interest rate on a forward basis continues to remain comfortably positive. Hence, the case for maintaining 'Status-Quo'.
- To note the IMF has revised its NCPI forecast for Pakistan to 9.9% (8.4% earlier) for FY27 as per the latest reports—but the real-interest rate would still remain positive and near its long-term average more or less. Moreover, economic activity has picked-up but only modestly, curbing fears of any demand-side pressures.
- Finally, Pakistan's external position remains rock-solid on account of: i) contained current account deficit despite the surge in global energy prices; ii) stable FX reserves (gradually growing); iii) timely debt servicing; & iv) a positive outlook for official inflows i.e. USD 1.2Bn tranche expected from the IMF after completion of the latest EFF & RSF reviews. Further, even while the US dollar has strengthened recently amid record high yields on US Treasuries leading to capital flight from several emerging economies like India, etc. the Rupee continues to display remarkable stability—appreciating slightly against the greenback instead.
- Consequently, in light of the above discussion, the rationale to increase the policy rate at this point does not seem worthy of much weight—under the prevailing macroeconomic conditions. This is also reflected in the relatively lower uptick in secondary market yields since the last MPC than one would prefer to call with certainty for a hike in the policy rate in the next MPC.

National Consumer Price Index (NCPI)



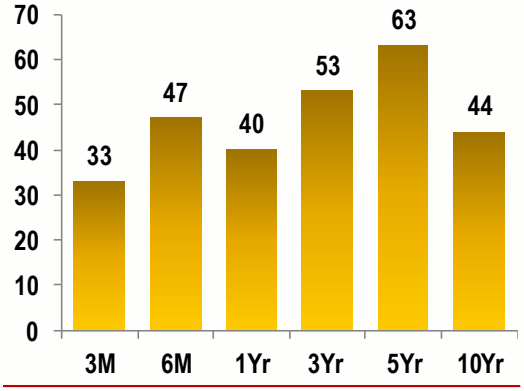
Source: PBS and TSL Research

Monetary Policy Announcements History

MPS Date	Stance	Effective Policy Rate
27-Jan-25	-100bps	12.00%
10-Mar-25	Unchanged	12.00%
5-May-25	-100bps	11.00%
16-Jun-25	Unchanged	11.00%
30-Jul-25	Unchanged	11.00%
15-Sep-25	Unchanged	11.00%
27-Oct-25	Unchanged	11.00%
15-Dec-25	-50bps	10.50%
26-Jan-26	Unchanged	10.50%
9-Mar-26	Unchanged	10.50%
27-Apr-26	+100bps	11.50%
15-Jun-26	Unchanged	11.50%
27-Jul-26	Unchanged	11.50%
14-Sep-26	Unchanged	11.50%

Source: SBP and TSL Research

Change in Secondary Market Yields (bps)



Source: MUFAP & TSL Research

**Difference between as on 14-Sep-26 and 22-Oct-26*

Mustafa Mustansir AC
mustafa@taurus.com.pk
92-021-35216403

Please refer to the end of the report for Analyst Certification and important disclosures.

Jama Punji
سرمایہ کاری سمجھداری سے ساتھ
www.JamaPunji.pk

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- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S, EV/EBITDA, EV/Revenue etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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Frequently Used Acronyms

TP	Target Price	**DCF**	Discounted Cash Flows	**FCF**	Free Cash Flows
FCFE	Free Cash Flows to Equity	**FCFF**	Free Cash Flows to Firm	**DDM**	Dividend Discount Model
SOTP	Sum of the Parts	**P/E**	Price to Earnings ratio	**P/BVPS**	Price to Book ratio
P/S	Price to Sales	**EVA**	Economic Valued Added	**BVPS**	Book Value per Share
EPS	Earnings per Share	**DPS**	Dividend per Share	**DY**	Dividend Yield
ROE	Return on Equity	**ROA**	Return on Assets	**JPB**	Justified Price to Book

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