

# What is a Stock Market?

- The market in which shares are issued and traded either through exchanges or over-the-counter markets. Also known as the equity market, it is one of the most vital areas of a market economy as it provides companies with access to capital and investors with a slice of ownership in the company and the potential of gains based on the company's future performance.
- This market can be split into two main sections: the primary and secondary market. The primary market is where new issues are first offered, with any subsequent trading going on in the secondary market.

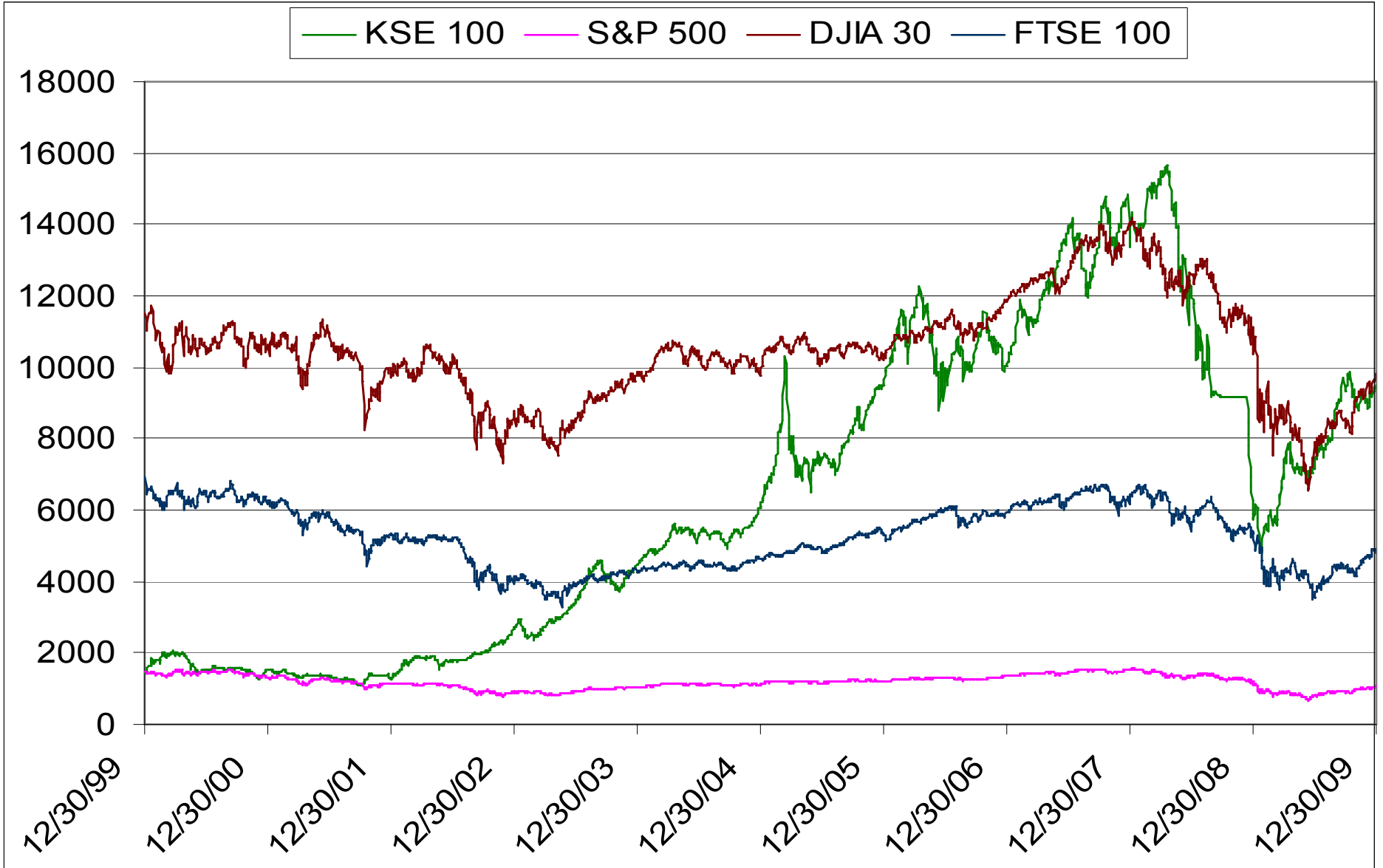
# Market at a Glance

# KSE 100 Performance

Year	December Closing	Change	%Change (Yearly Return)	Total Change	Cumulative Return to Date	Effective Annual Rate
1999	1408.91	0				
2000	1507.59	98.68	7.00%	98.68	7.00%	7.00%
2001	1273.06	-234.53	-15.56%	-135.85	-9.64%	-5.94%
2002	2701.42	1428.36	112.20%	1292.51	91.74%	24.22%
2003	4471.6	1770.18	65.53%	3062.69	217.38%	33.47%
2004	6218.4	1746.80	39.06%	4809.49	341.36%	34.57%
2005	9556.61	3338.21	53.68%	8147.7	578.30%	37.58%
2006	10040.5	483.89	5.06%	8631.59	612.64%	32.39%
2007	14075.83	4035.33	40.19%	12666.92	899.06%	33.33%
2008	5865.01	-8210.82	-58.33%	4456.1	316.28%	17.17%
2009	9386.92	3521.91	60.05%	7978.01	566.25%	20.89%

# S&P 500 Performance

<b>Year</b>	<b>December Closing</b>	<b>Change</b>	<b>% Change (Yearly Return)</b>	<b>Total Change</b>	<b>Cumulative Return to Date</b>	<b>Effective Annual Rate</b>
<b>1999</b>	1,469.25	0				
<b>2000</b>	1,320.28	-148.97	-10.14%	-148.97	-10.14%	-10.14%
<b>2001</b>	1,148.08	-172.20	-13.04%	-321.17	-21.86%	-11.60%
<b>2002</b>	879.82	-268.26	-23.37%	-589.43	-40.12%	-15.71%
<b>2003</b>	1,111.92	232.10	26.38%	-357.33	-24.32%	-6.73%
<b>2004</b>	1,211.92	100.00	8.99%	-257.33	-17.51%	-3.78%
<b>2005</b>	1,248.29	36.37	3.00%	-220.96	-15.04%	-2.68%
<b>2006</b>	1,418.30	170.01	13.62%	-50.95	-3.47%	-0.50%
<b>2007</b>	1,468.36	50.06	3.53%	-0.89	-0.06%	-0.01%
<b>2008</b>	903.25	-565.11	-38.49%	-566	-38.52%	-5.26%
<b>2009</b>	1,115.10	211.85	23.45%	-354.15	-24.10%	-2.72%



## Investment Performance Comparison if Invested at the End of 1999 in Each of the Following Markets

	Cumulative Return	Value of Investment	Effective Annual Return
<b>KSE 100</b>	566.25%	666,250	20.88%
<b>S&amp;P 500</b>	-24.10%	75,900	-2.72%
<b>DJIA 30</b>	-9.30%	90,700	-0.97%
<b>FTSE 100</b>	-21.90%	78,100	-2.44%
<b>NIKKEI 225</b>	-44.30%	55,700	-5.68%

- So even if we assume currency devaluation of 50%, the cumulative return comes out to be a staggering 516.25% which results in an effective annual return of 19.94% which still beats the developed market indices by a wide margin
- This does not include the dividends earned on investments. Adding dividends will further widen the margin by a large degree as dividend yields in Pakistan have been historically very high. (7 – 13% locally compared with 1 – 3% in the developed markets)

## **Some high dividend payers:**

- Fauji Fertilizer Company Limited (FFC)
- Hub Power Company Limited (HUBC)
- Kot Addu Power Company Limited (KAPCO)
- Pakistan Oil Fields Limited (POL)
- Oil and Gas Development Company Limited (OGDC)
- National Refinery Limited (NRL)
- Engro Corporation Limited (ENGRO)
- Fauji Fertilizer Bin Qasim Limited (FFBL)
- Pakistan Petroleum Limited (PPL)
- Crescent Steel and Allied Products Limited (CSAP)
- National Bank of Pakistan Limited (NBP)

# Equities

	2005	2006	2007	2008	2009
<b>Listed Companies</b>	661	651	654	653	651
<b>Listed Capital (in Rs. million)</b>	470,427.47	515,029.54	671,269.47	750,477.55	814,478.74
<b>Market Capitalization (in Rs. million)</b>	2,746,558.97	2,766,583.84	4,329,909.79	1,858,698.90	2,705,879.83
<b>New Companies Listed</b>	19	9	14	10	4
<b>Listed Capital (in Rs. million)</b>	30,090.28	14,789.76	57,239.93	15,312.12	8,755.74
<b>Bonus issue listed (in Rs. million)</b>	16,699.08	19,478.00	23,218.36	27,403.94	21,370.64
<b>Right issues listed (in Rs. million)</b>	10,905.75	13,051.30	42,503.72	27,957.70	27,775.43



## Debt Instruments

	2005	2006	2007	2008	2009
<b>New Debts Instruments Listed</b>	8	3	3	7	1
<b>Listed Capital (in million)</b>	10,900.00	3,400.00	6,500.00	25,256.97	3,000.00

## Total Funds Mobilized

	2005	2006	2007	2008	2009
<b>Funds Mobilized (Capital of new listings + Debt Instruments + Rights Issue (in Rs. million))</b>	51,896.03	31,241.06	64,523.57	67,536.58	39,331.17

**KSE – 100 INDEX\*\***

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>High</b>	10303.13	12273.77	14814.85	15676.34	9845.74
<b>Low</b>	6220.28	8766.98	10066.32	5865.01	4815.34

**TURNOVER**

<b>Total Shares (In - Million)</b>	91,449.67	63,046.52	65,956.89	36,527.96	44,446.88
<b>AVG/DAY (In Million)</b>	365.64	261.6	268.23	146.55	179.88

*\*\* Base November 01, 1991*

# What is CDC?

- CDC stands for Central Depository Company of Pakistan Limited
- The only depository in Pakistan
- The sole entity handling the electronic (paperless) settlement of transactions carried out at all three stock exchanges of Pakistan
- Has a system, Central Depository System in place to record and maintain securities and their transfer's registration
- The system changes the ownership of securities without any physical movement or endorsement of certificates and execution of transfer instruments
- [www.cdcpakistan.com](http://www.cdcpakistan.com)

<b>Shareholders</b>	<b>Total No. of Shares Held</b>	<b>% of Shareholding</b>
The Karachi Stock Exchange (Guarantee) Limited	19,904,000	39.8
Lahore Stock Exchange (Guarantee) Limited	5,000,000	10.0
Citibank Overseas Investment Corporation	5,000,000	10.0
MCB Bank Limited	5,000,000	10.0
Habib Bank Limited	3,173,001	6.35
National Investment Trust Limited	3,173,000	6.35
Industrial Development Bank of Pakistan	2,500,000	5.0
NIB Bank Limited	2,500,000	5.0
Islamabad Stock Exchange (Guarantee) Limited	1,250,000	2.50
Crescent Steel and Allied Product Limited	875,000	1.75
Al-Zamin Leasing Corporation Limited	500,000	1.0
Shakarganj Mills Limited	500,000	1.0
International General Insurance Limited	324,999	0.65
Innovative Investment Bank Limited	250,000	0.50
Crescent Standard Business Management (Private) Limited	50,000	0.10
<b>TOTAL</b>	<b>50,000,000</b>	<b>100.00</b>

Source: [www.cdcpakistan.com](http://www.cdcpakistan.com)

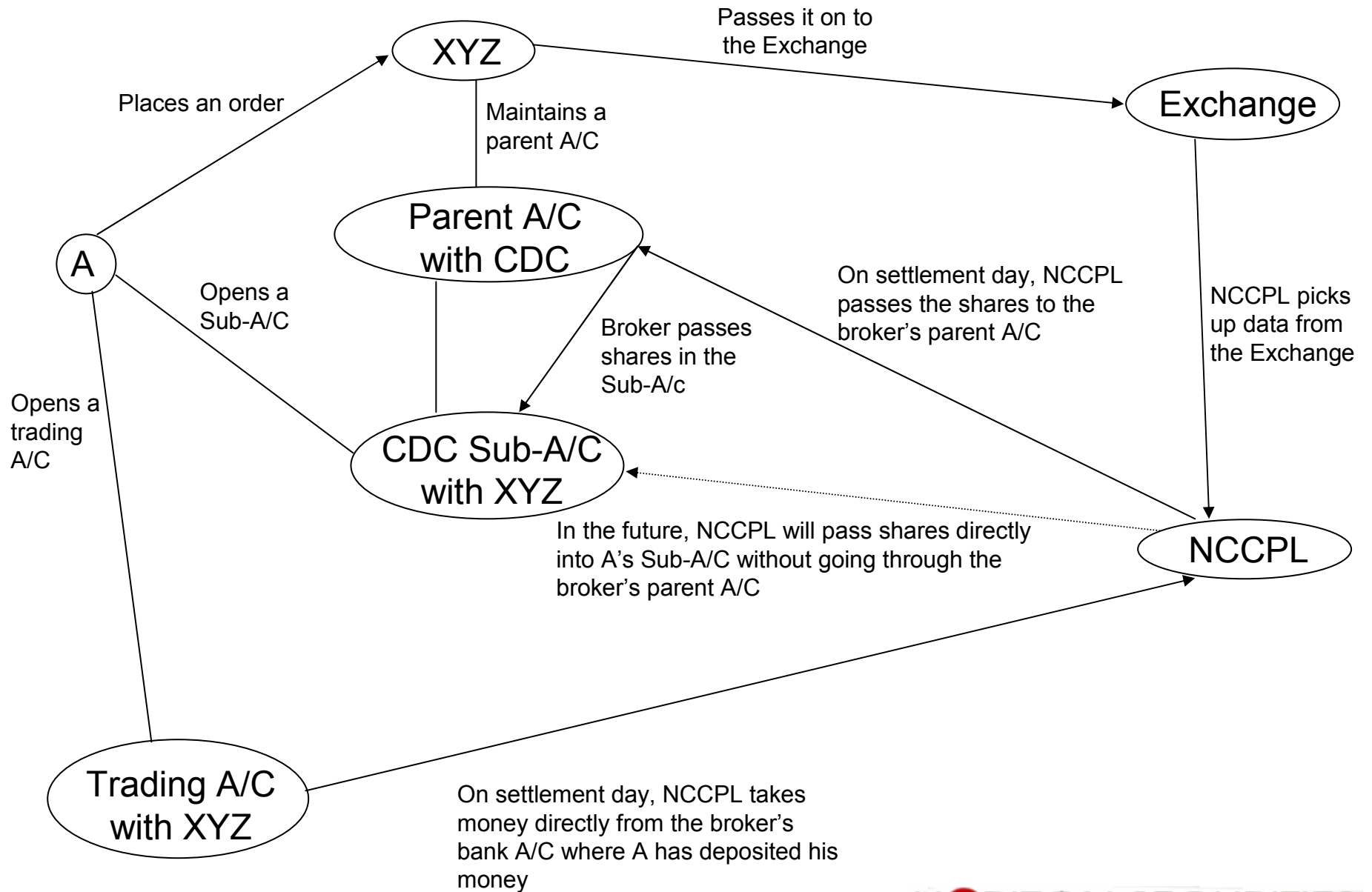
# What is NCCPL?

- National Clearing Company of Pakistan Limited (NCCPL) provides clearing and settlement services to all three stock exchanges of Pakistan
- Before NCCPL came into being, all the settlements and clearing services were provided separately by each exchange for the transactions carried out on it by the respective members
- [www.nccpl.com.pk](http://www.nccpl.com.pk)

Shareholders	Total No. of Shares held	% of Shareholding
The Karachi Stock Exchange (Guarantee) Limited	2,999,997	47.06
Lahore Stock Exchange (Guarantee) Limited	1,499,999	23.53
Islamabad Stock Exchange (Guarantee) Limited	750,000	11.76
Pakistan Kuwait Investment Company (Private) Limited	1,125,000	17.65
<b>Total</b>	<b>6,375,000</b>	<b>100</b>

Source: Annual Report 2008 NCCPL

# How is a Transaction Routed?





# Different Types of Orders

- **Market Order**

An order to buy or sell a stock immediately at the best available current price. It is also sometimes referred to as 'unrestricted order' or 'at best order'.

- **Limit Order**

An order placed with a brokerage to buy or sell a set number of shares at a specified price or better. Limit order also allows an investor to limit the length of time an order can be outstanding before being canceled. Depending on the direction of the position, limit order is sometimes referred to more specifically as a buy limit order, or a sell limit order.

- **Stop Order**

This type of order enables you to buy or sell shares within a specified range once a price you determine has been reached and is a type of limit order. If, for example, you decide you want to buy shares at a specific level above the current market price you can ask your broker to place a contingent stop buy order. If you want to sell your shares once the price has dropped below a pre-determined level you can place a contingent stop sell order. This type of order can be useful if, for example, you are a momentum trader and want to reduce your exposure to a stock as prices fall or increase your holding as prices rise. It is also referred to as a 'stop' and/or 'stop-loss order'.

# Stock Market Index

A stock market index is a method of measuring a section of the stock market

## **Different Methods of Calculating Indices**

- **Price Weighted Index**

The value of the index is generated by adding the prices of each of the stocks in the index and dividing them by the total number of stocks. For example, Dow Jones Industrial Average

- **Capitalization-Weighted Index**

A type of market index whose individual components are weighted according to their market capitalization. For example, KSE 100, S&P 500

- **Equal or Un-weighted Index**

A type of market index where simple arithmetic or geometric mean of the stock returns is used to calculate the value of the index. For example, Value Line Index

Following indices are used to represent Karachi Stock Exchange: KSE 100, KSE 30, KMI – 30, All Shares Index; KSE 100 being the most popular one.