

# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Data Science and Research Department

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# SECP

## Capital Market Monitor

### Quarterly Market Review

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Quarterly Review | Q3 FY 2026  
January – March 2026

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*The cut-off date for data in this report is the close of trading on 31 March 2026. External references used in the macroeconomic, regional and global sections reflect information publicly available at the time of drafting, with the latest cited source dated in April 2026.*

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## Executive Summary

**The quarter was a story of two distinct halves.** The KSE-100 rallied through January to an all-time intra-day high of 191,032.73 on 26 January, gaining 5.81 percent over the month and extending the strong uptrend observed through calendar year 2025. That trajectory reversed sharply from late February. February closed down 8.75 percent and March declined a further 11.50 percent, leaving the index at a peak-to-trough drawdown of 22.57 percent from its January high to its 9 March low of 144,119.43.

**The third quarter of fiscal year 2026 was the most challenging three-month period for the Pakistan Stock Exchange (PSX) since early 2020.** After opening at an index level of 174,054 on 1 January, the benchmark KSE-100 closed the quarter at 148,743 on 31 March, a decline of 25,311 points, or 14.54 percent. The KSE All Share and KSE-30 indices registered comparable losses of 14.85 percent and 15.52 percent respectively. Aggregate market capitalisation of listed securities contracted from PKR 19.69 trillion to PKR 16.53 trillion, a reduction of approximately PKR 3.15 trillion.

**Pakistan's sell-off sits within a broadly weaker global equity quarter.** The S&P 500 fell 4.3 percent, its weakest quarter since 2022; the MSCI Europe ex-UK index declined 2.3 percent; MSCI Asia ex-Japan fell 1.1 percent; and the broad MSCI Emerging Markets index was flat at -0.1 percent.

**The proximate catalysts for the sell-off were external.** On 21–22 February, Pakistan conducted airstrikes against militant targets in eastern Afghanistan, which escalated into a broader cross-border conflict on 27 February. Less than twenty-four hours later, joint United States and Israeli military action against Iran began. The combined shock produced a sharp increase in global energy prices, the closure of key Gulf shipping lanes, and a generalised risk-off move across emerging markets. The KSE-100 recorded its single worst session of the quarter on 2 March, falling 9.57 percent.

**Foreign investors were net sellers of PKR 111.6 billion (USD 400 million) in Pakistani equities over the quarter.** Foreign Corporates alone divested PKR 117.1 billion net, a flow that was absorbed by domestic institutional and retail investors. Companies (PKR +73.5 billion), Mutual Funds (PKR +23.8 billion) and Individuals (PKR +20.2 billion) were the largest net buyers; Insurance Companies (PKR -9.2 billion) and Broker Proprietary desks (PKR -6.0 billion) were net sellers alongside the foreign bloc.

**The State Bank of Pakistan (SBP) held the policy rate at 10.5 percent at both its 26 January and 9 March meetings,** pausing the easing cycle begun in late 2024 and citing uncertainty introduced by the Middle East conflict and rising global fuel and freight costs. Headline CPI inflation, which had moderated to 5.6 percent in December 2025, rose to 5.8 percent in January, 7.0 percent in February and 7.3 percent in March — the highest reading since August 2024 and above the SBP's 5–7 percent target band. SBP total liquid reserves were USD 21.79 billion at the end of quarter. On 27 March, an IMF staff-level agreement was reached that, unlocks approximately USD 1.21 billion in combined EFF and RSF disbursements.

SECP has undertaken reforms to modernize infrastructure, enhance transparency, and promote investor participation in the capital market:

- **Settlement Cycle Modernization:** Transitioned from T+2 to T+1 settlement effective February 9, 2026, aligning with global best practices.
- **Broker Referral Programs:** Consultation Paper issued to amend regulations, enabling brokers to introduce structured referral incentive schemes through existing clients.
- **Customer Onboarding Reforms:** Sahulat Account limit raised from Rs. 1 million to Rs. 3 million; redundancies in account opening removed to ensure Straight Through Processing.
- **Research Analyst Regulations 2015:** Amendments notified to strengthen governance, enforce mandatory SECP registration, and boost investor confidence.

# 1. Market Performance

## 1.1 Benchmark Index Performance

The Pakistan Stock Exchange operates three main headline benchmark indices that together span the breadth of the listed universe: the KSE-100, comprising the largest one hundred companies by free-float market capitalisation with sectoral representation rules; the KSE All Share, covering the complete main-board universe; and the KSE-30, tracking the thirty most-liquid securities on a free-float basis. The three indices moved in close co-movement through the quarter.

**Quarterly headline numbers.** Over the 61 trading sessions of Q3 FY 2026, the KSE-100 registered a net decline of 25,311 points from its 1 January opening level, ending 14.54 percent lower. The KSE All Share was down 14.85 percent and the KSE-30 down 15.52 percent. Intra-quarter, the KSE-100 reached an all-time intra-day high of 191,032.73 on 26 January and a quarter-low of 144,119.43 on 9 March, giving a peak-to-trough drawdown of 22.57 percent [1].

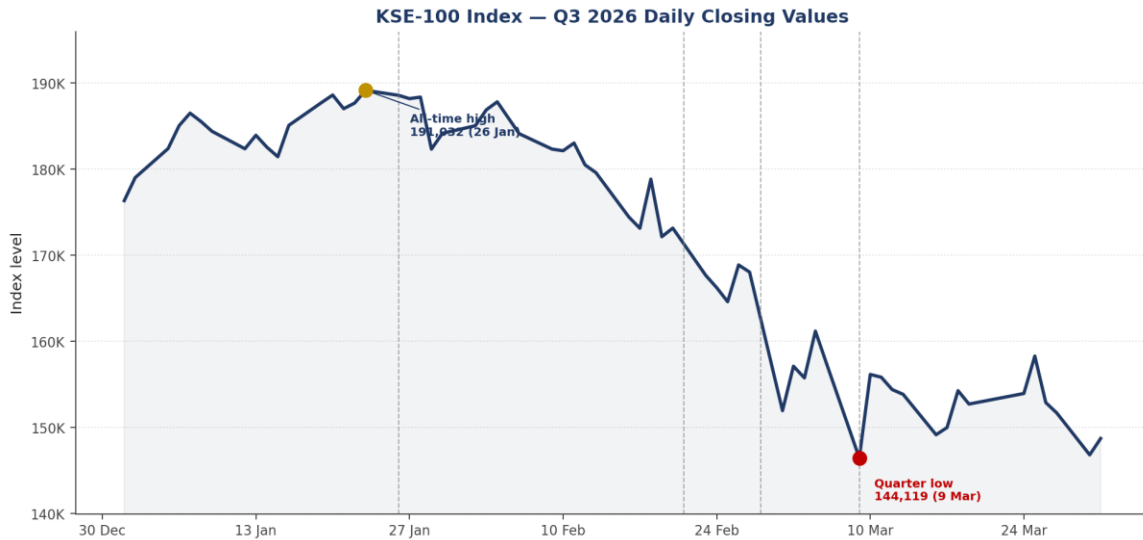


Figure 1. KSE-100 daily closing values, 1 January to 31 March 2026.

Index	Opening (1 Jan)	Closing (31 Mar)	Quarter High	Quarter Low	QoQ Change
<b>KSE-100</b>	174,054.32	148,743.31	191,032.73	144,119.43	-14.54%
<b>KSE All Share</b>	104,614.51	89,074.96	113,719.75	86,803.74	-14.85%
<b>KSE-30</b>	53,302.92	45,031.60	58,935.03	43,534.76	-15.52%

Table 1. Benchmark index headline statistics for Q3 FY 2026.

Rebasing all three indices to 100 at the 1 January opening allows direct visual comparison of trajectories. The indices tracked one another closely throughout the quarter.

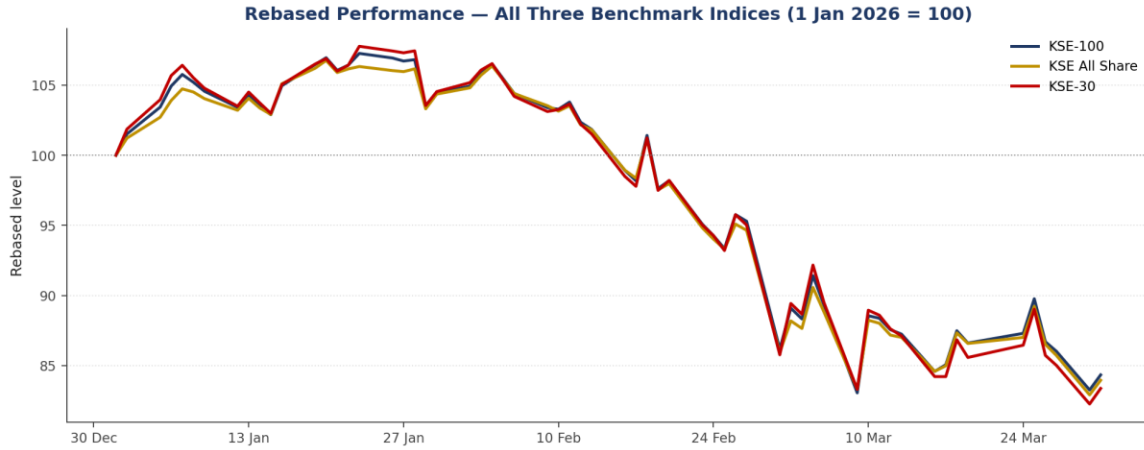


Figure 2. Rebased performance of the three benchmark indices. 1 January 2026 = 100.

### 1.2 Monthly Breakdown

The quarterly outcome masks substantial within-quarter variation. January was the strongest month on record for the KSE-100, which extended its 2025 rally to a fresh all-time high on 26 January. Market reaction to the State Bank of Pakistan's decision on that same day to hold the policy rate at 10.5 percent — against consensus expectations of a cut to 10.0 percent [2] — was muted, with the index consolidating at elevated levels through the remaining days of the month. February marked the reversal: the index traded in a downward channel for most of the month as geopolitical risk increased. March then delivered the bulk of the quarterly loss; the month alone wiped out 19,319 points, or 11.50 percent, with the index recording a single-day fall of 9.57 percent on 2 March.

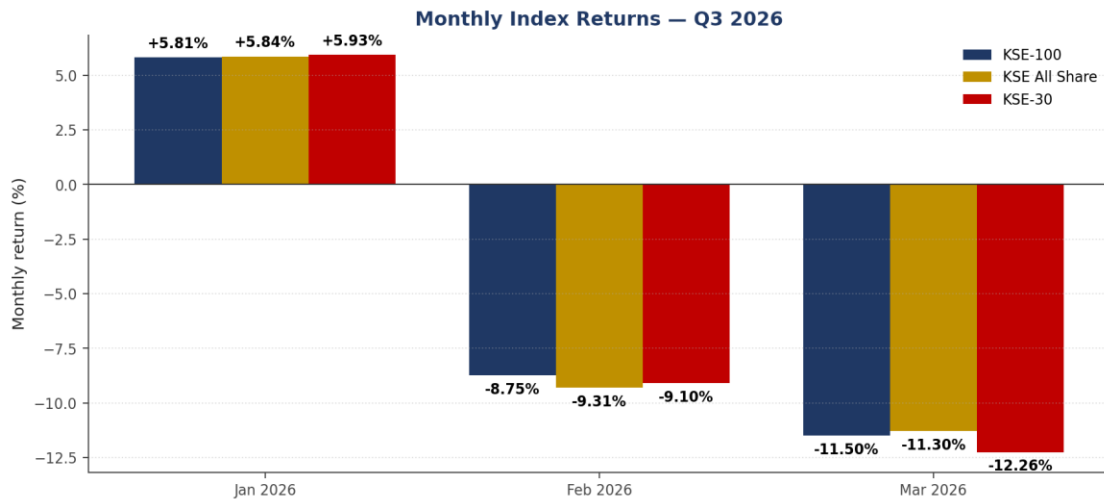


Figure 3. Monthly returns of the three benchmark indices, Q3 FY 2026.

Month	Trading Days	Open	Close	High	Low	Return
January 2026	22	174,054	184,174	191,033	174,054	+5.81%
February 2026	19	184,174	168,062	188,312	162,954	-8.75%
March 2026	20	168,062	148,743	168,062	144,119	-11.50%

Table 2. Monthly KSE-100 performance. Source: KSE index dataset (SECP DSRD).

### 1.3 Market Capitalisation and Traded Volumes

Aggregate market capitalisation of the listed securities observed in the transactional dataset contracted from PKR 19.69 trillion on 1 January to PKR 16.53 trillion on 31 March, a decline of PKR 3.15 trillion (17.20 percent). The drop in market capitalization, is larger than the index return because the index is a free-float, weighted construct whereas the aggregate figure includes every listed security at full market capitalisation.



Figure 4. Aggregate market capitalisation of listed securities, Q3 FY 2026.

Traded value averaged PKR 44.03 billion per session over the quarter, with total quarterly turnover of approximately PKR 2.69 trillion across 48.3 billion shares. Daily volumes compressed materially as the quarter progressed: peak sessions were concentrated in January, and late March sessions showed volumes around half the January averages.

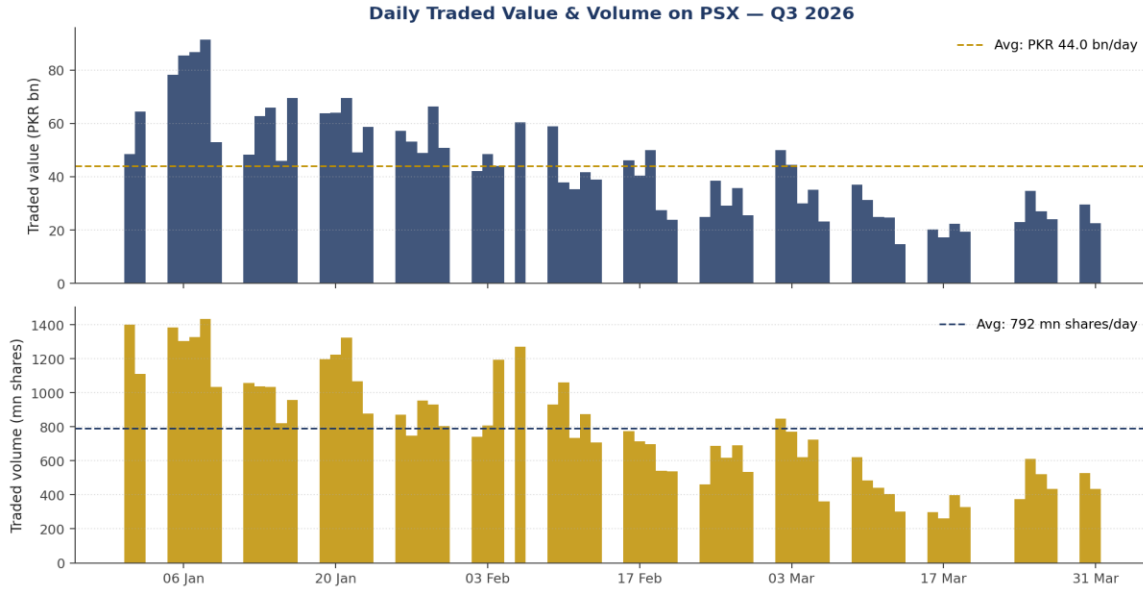


Figure 5. Daily traded value and traded volume, Q3 FY 2026.

Metric	Q3 FY 2026 Value
Total traded volume	48.29 billion shares
Total traded value	PKR 2,685.93 billion
Average daily traded volume	791.70 million shares
Average daily traded value	PKR 44.03 billion
Aggregate market cap (1 Jan 2026)	PKR 19.97 trillion
Aggregate market cap (31 Mar 2026)	PKR 16.53 trillion
Change in aggregate market capitalisation	-PKR 3.15 trillion (-16.00%)
Average active symbols per session	485

Table 3. Quarterly trading and capitalisation statistics. Source: PSX Capital Market Volume.

## 2. Investor Participation

### 2.1 Foreign Portfolio Investment (FPI)

Foreign portfolio flows were overwhelmingly negative through the quarter. The foreign flows dataset records gross foreign buying of PKR 249.44 billion and gross foreign selling of PKR 361.05 billion in equities, for net foreign outflow of PKR 111.61 billion.

**The equity outflow was concentrated in one client type.** Foreign Corporates — the client category that captures large institutional foreign investors — were net sellers of PKR 117.07 billion. Foreign Individuals were a marginal net sell at PKR 0.33 billion. Overseas Pakistanis were the only foreign client category to record a net positive flow, buying PKR 5.80 billion on a net basis.

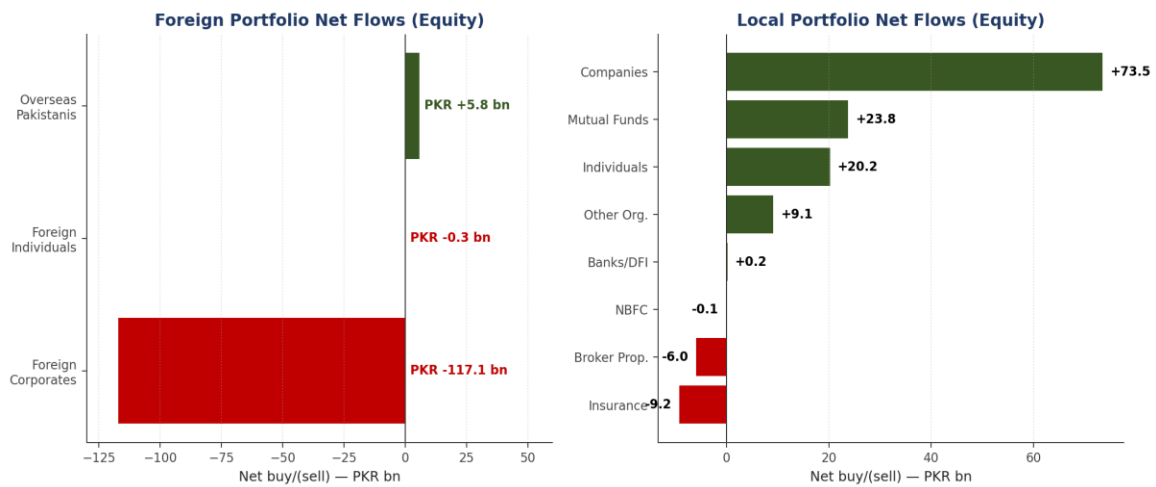


Figure 9. Net foreign (FPI) and local (LIPI) portfolio flows in the equity segment for Q3 FY 2026.

Foreign Client Type	Gross Buy	Gross Sell	Net Buy / (Sell)
Foreign Corporates	22.12	(139.20)	(117.07)
Foreign Individuals	1.65	(1.98)	(0.33)
Overseas Pakistanis	225.67	(219.87)	5.80
<b>Equity total</b>	<b>249.44</b>	<b>(361.05)</b>	<b>(111.61)</b>
Overseas Pakistanis (Debt)	0.079	(0.020)	0.059
<b>Debt total</b>	<b>0.079</b>	<b>(0.020)</b>	<b>0.059</b>
<b>Grand total</b>	<b>249.52</b>	<b>(361.07)</b>	<b>(111.55)</b>

Table 6. Foreign portfolio flows (PKR billion). Source: LIPI/FIPI dataset (SECP DSRD). Negative figures in parentheses.

The concentration of the outflow in the Foreign Corporates category is consistent with a generalised institutional de-risking from emerging markets during the Middle East conflict, rather than a Pakistan-specific event.

## 2.2 Local Portfolio Investment (LIPI)

Domestic investors absorbed the foreign outflow. Total local gross buying across equity and debt was PKR 3.77 trillion against gross selling of PKR 3.66 trillion, producing net local buying of PKR 111.55 billion — essentially matching the foreign outflow.

**In the equity segment**, the largest net buyers were Companies (PKR +73.51 billion), Mutual Funds (PKR +23.78 billion), Individuals (PKR +20.25 billion), and Other Organisations (PKR +9.13 billion). Banks and DFIs were roughly flat at PKR +0.19 billion. On the sell side, Insurance Companies were the largest net seller at PKR –9.24 billion, followed by Broker Proprietary trading at PKR –5.95 billion and NBFCs at PKR –0.06 billion.

Local Client Type	Gross Buy	Gross Sell	Net Buy / (Sell)
Individuals	2,357.76	(2,337.51)	20.25
Broker Proprietary Trading	484.44	(490.39)	(5.95)
Mutual Funds	261.09	(237.31)	23.78
Companies	236.26	(162.75)	73.51
Banks / DFI	92.39	(92.20)	0.19
Insurance Companies	45.24	(54.48)	(9.24)
Other Organisation	28.79	(19.66)	9.13
NBFC	1.36	(1.42)	(0.06)
Equity total	3,507.33	(3,395.72)	111.61

Table 7. Local portfolio flows in the equity segment (PKR billion). Source: LIPI/FIPI dataset (SECP DSRD). Negative figures in parentheses.

The distribution of local net buying was broad-based rather than concentrated in a single institutional category, which is consistent with a market in which multiple categories of domestic participant found value after the price adjustment. Companies, which often include strategic shareholders and corporate treasuries undertaking open-market purchases, were the single largest source of absorption.

## 2.3 Most-Traded Securities

Turnover concentration at the security level reflects both sector activity and short-term preferences. In Q3 FY 2026, the most-traded security by value was National Bank of Pakistan (NBP) at PKR 182.42 billion, followed by Pakistan Petroleum Limited (PPL) at PKR 144.18 billion and Oil and Gas Development Company Limited (OGDC) at PKR 126.61 billion. The top-ten by value list is dominated by large-cap financials, oil and gas, and fertiliser names — sectors that collectively represent the core weighting of the benchmark KSE 100 index.

**Volume leaders differ from value leaders.** By share count, the most-traded security was K-Electric (KEL) at 6.44 billion shares, followed by Bank of Punjab (BOP) at 2.26 billion, WorldCall Telecom (WTL) at 1.97 billion, and Hascol Petroleum (HASCOL) at 1.70 billion. Low-priced stocks typically dominate volume rankings because a given turnover value translates into a larger number of shares at a lower price.

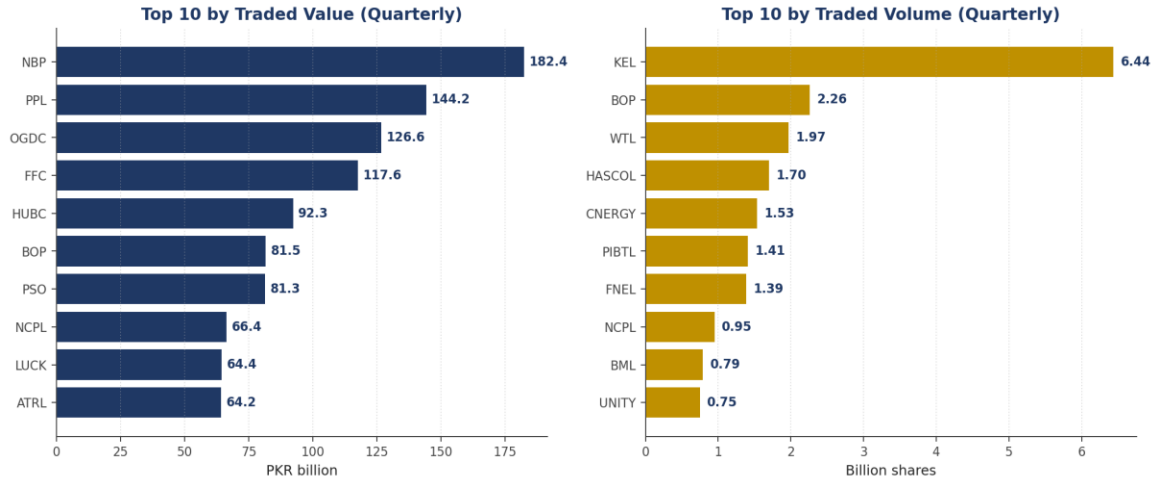


Figure 10. Top ten most-traded securities by quarterly traded value (left) and traded volume (right).

Symbol	Q3 FY Traded Value (PKR bn)	Q3 FY Traded Volume (bn shares)
NBP	182.42	0.73
PPL	144.18	0.61
OGDC	126.61	0.43
FFC	117.57	0.20
HUBC	92.32	0.41
BOP	81.53	2.26
PSO	81.31	0.19
NCPL	66.37	0.95
LUCK	64.37	0.15
ATRL	64.15	0.08

Table 8. Top ten most-traded securities by quarterly traded value

### 3. Debt Instruments

This section presents a review of trading and issuance activity in debt instruments during Q3 FY 2026, covering Government of Pakistan Ijara Sukuk (GIS) auctions in the primary market, the corresponding secondary-market turnover, privately-placed sukuk listings, and trading on the PSX Bills and Bonds (BNB) counter.

#### 3.1 Primary Market Issuance

During Q3 FY 2026, three GoP Ijara Sukuk auctions were conducted — auction number 30 on 21 January, auction 31 on 6 February, and auction 32 on 25 March. The total face value of debt issued across these three auctions was PKR 811.53 billion, realised at PKR 648.22 billion. The auctions covered a mix of tenors and yield structures: one-year Ijara, three-year and five-year Fixed Rental Rate (FRR), ten-year Variable Rental Rate (VRR), and ten-year Fixed Rental with Zero-coupon structure (FRZ). The 10-year FRZ instrument was the single largest by issuance face value (PKR 228.08 billion), followed by the 5-year FRR (PKR 164.13 billion) and the 1-year GIS (PKR 148.54 billion).

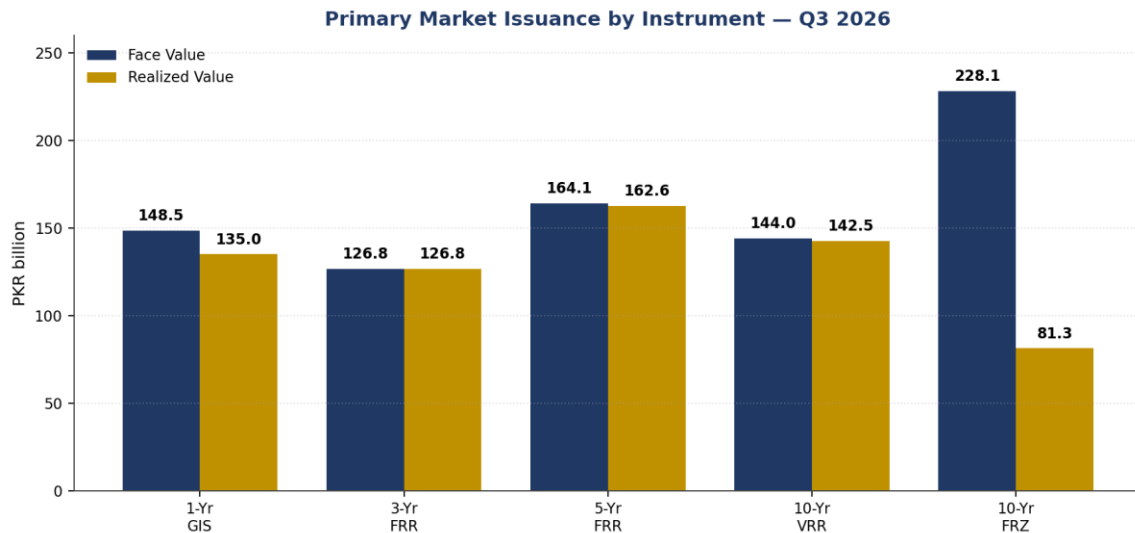


Figure 6. Primary market issuance by instrument, Q3 FY 2026.

**Auction participation was robust across all three events.** Against a combined target of PKR 800 billion across the three auctions, bids received totalled PKR 2,031.57 billion — an aggregate bid-to-cover of 2.54 times. The largest participation came at auction 30 (bid-to-cover of 3.52 times), which coincided with the peak of the KSE-100 rally and generally benign domestic liquidity conditions. Participation moderated at auctions 31 and 32 (bid-to-cover of 2.11 times and 1.79 times respectively) as domestic market conditions deteriorated alongside the external shocks. Despite elevated participation, the acceptance ratio remained disciplined: the three auctions together accepted PKR 811.53 billion in face value, equivalent to 39.9 percent of bids received.

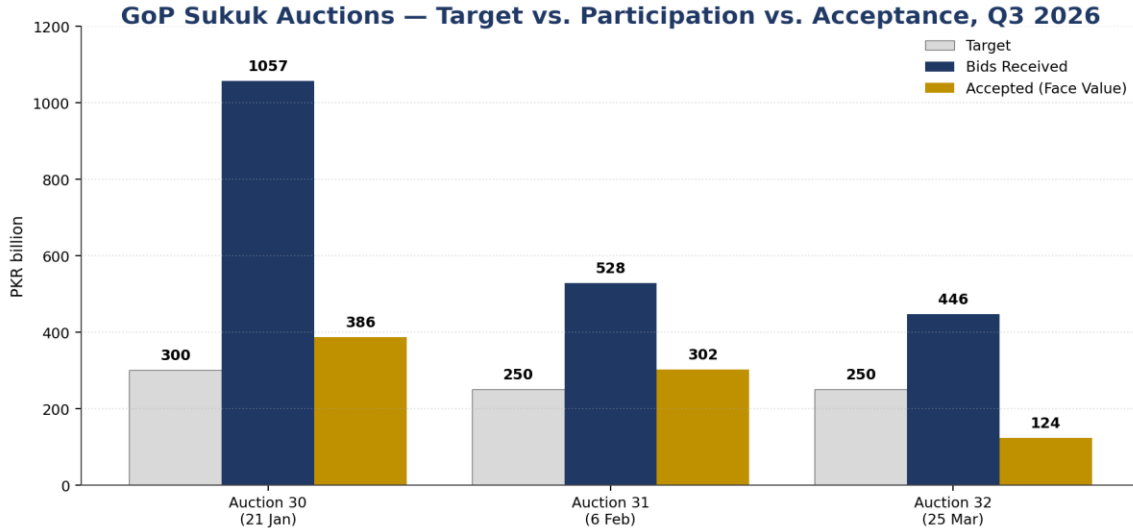


Figure 7. Auction target, bids received and accepted face value, Q3 FY 2026.

Auction	Auction Date	Target	Bids Received	Bid-to-Cover	Accepted (Face)
30	21 Jan 2026	300.00	1,057.11	3.52×	386.13
31	6 Feb 2026	250.00	528.05	2.11×	301.73
32	25 Mar 2026	250.00	446.40	1.79×	123.67
<b>Total</b>	—	800.00	2,031.57	2.54×	811.53

Table 10. GoP Ijara Sukuk auction summary, Q3 FY 2026 (PKR billion, face value).

### 3.2 Investor Category Breakdown

**Primary-market subscriptions to GoP Ijara Sukuk were overwhelmingly concentrated in the banking sector.** Commercial Banks accounted for PKR 742.74 billion of the PKR 811.53 billion total face-value issuance, or 91.52 percent of primary-market demand. Mutual Funds were the second-largest subscriber category at PKR 42.43 billion (5.23 percent). Insurance Companies, Provident and Pension Funds, and Other Institutional / Corporate investors collectively contributed a further 2.93 percent. Individual and High-Net-Worth Individual subscriptions, remained small in aggregate at PKR 2.57 billion combined (0.32 percent), reflecting the limited retail participation channels for GoP Ijara Sukuk at the primary level.

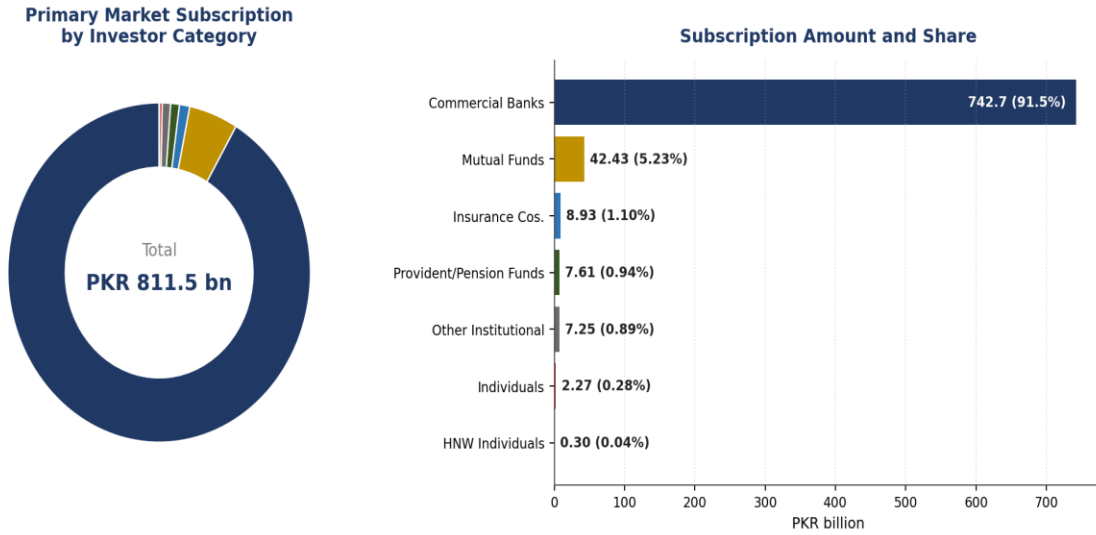


Figure 8. Primary market subscription by investor category, Q3 FY 2026.

Investor Category	Subscription (PKR bn)	Share (%)
Commercial Banks	742.74	91.52
Mutual Funds	42.43	5.23
Insurance Companies	8.93	1.10
Provident / Pension Funds	7.61	0.94
Other Institutional / Corporate	7.25	0.89
Individuals	2.27	0.28
High Net Worth Individuals	0.30	0.04
<b>Total</b>	<b>811.53</b>	<b>100.00</b>

Table 11. Primary market subscription by investor category, Q3 FY 2026.

### 3.3 Secondary Market Trading

**Secondary-market trading in GoP Ijara Sukuk was subdued in aggregate terms but month-on-month activity varied materially.** Across the 2,062 trades executed during the quarter, total traded value reached PKR 185.14 billion. January was the most active month, with 902 trades and PKR 109.90 billion of turnover; February saw a sharp decline to 680 trades and PKR 14.32 billion; and by 25 March, activity had partially rebounded to 480 trades, amounting to PKR 60.92 billion. The February weakness coincides with the onset of the broader market sell-off described and tracks the generalised decline in PSX liquidity during that month. The pick-up toward quarter-end reflects some repositioning into fixed-income instruments as equity-market volatility peaked.

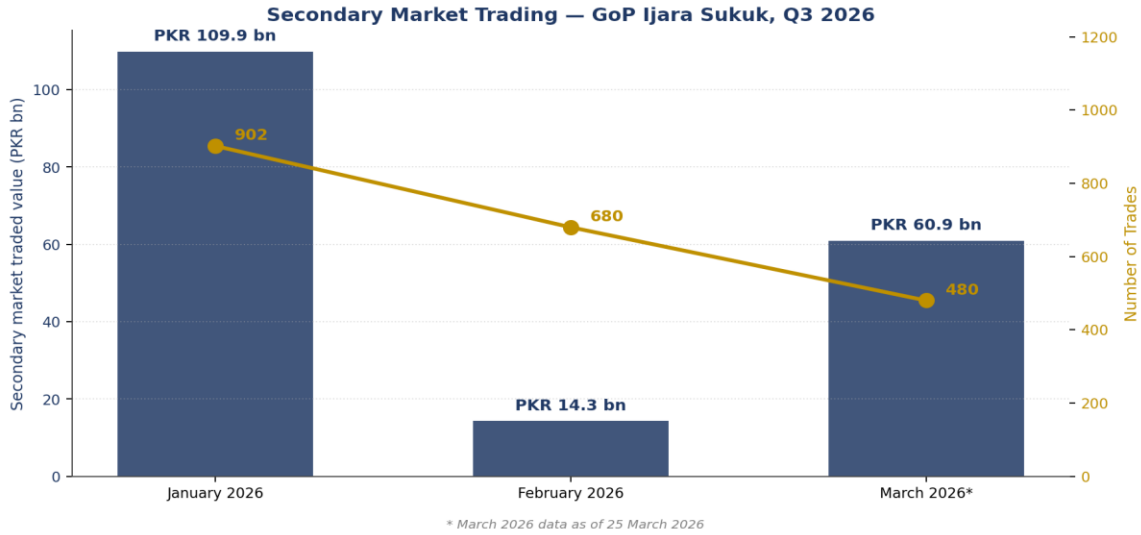


Figure 9. Secondary-market traded value and number of trades in GoP Ijara Sukuk, Q3 FY 2026.

Month	Number of Trades	Traded Value (PKR bn)
January 2026	902	109.90
February 2026	680	14.32
March 2026*	480	60.92
<b>Total Q3 FY</b>	<b>2,062</b>	<b>185.14</b>

Table 12. Secondary market month-wise trading, GoP Ijara Sukuk. \* As of 25 March 2026.

### 3.4 Debt Securities Listed During Q3 FY 2026

Two new debt securities were listed on PSX during the quarter, both privately-placed sukuk structures. Mughal Iron and Steel Industries Limited listed a nine-month Privately Placed Sukuk (symbol: MUGHALSTSC) on 7 January 2026. Thatta Cement Company Limited listed a four-year Privately Placed Sukuk (symbol: THCLSC) on 12 January 2026. Both issues were directed at institutional and private-placement investors rather than the retail market; details of offered amounts and coupon structures are maintained in the PSX debt listing register.

S.No	Symbol	Issuer	Type of Issue	Tenor	Listing Date
1	MUGHALSTSC	Mughal Iron & Steel Industries Limited	Privately Placed Sukuk	9 Months	7 Jan 2026
2	THCLSC	Thatta Cement Company Limited	Privately Placed Sukuk	4 Years	12 Jan 2026

Table 13. New corporate debt listings on PSX, Q3 FY 2026.

### 3.5 Bills and Bonds Trading on PSX

Trading on the PSX Bills and Bonds (BNB) counter, which handles exchange-traded government debt instruments beyond the Ijara Sukuk captured above, totalled PKR 260.94 billion in traded value across Q3 FY 2026. Daily averages on active trading sessions were approximately PKR 4.42 billion, with 59 of the 61 trading sessions recording trading activity. The single largest session was 27 March 2026 with PKR 27.44 billion. Monthly aggregates were PKR 113.02 billion in January, PKR 15.14 billion in February, and PKR 132.78 billion in March, broadly mirroring the pattern observed in Ijara Sukuk secondary trading and reinforcing the interpretation that February 2026 was an atypically quiet month for domestic fixed-income activity.

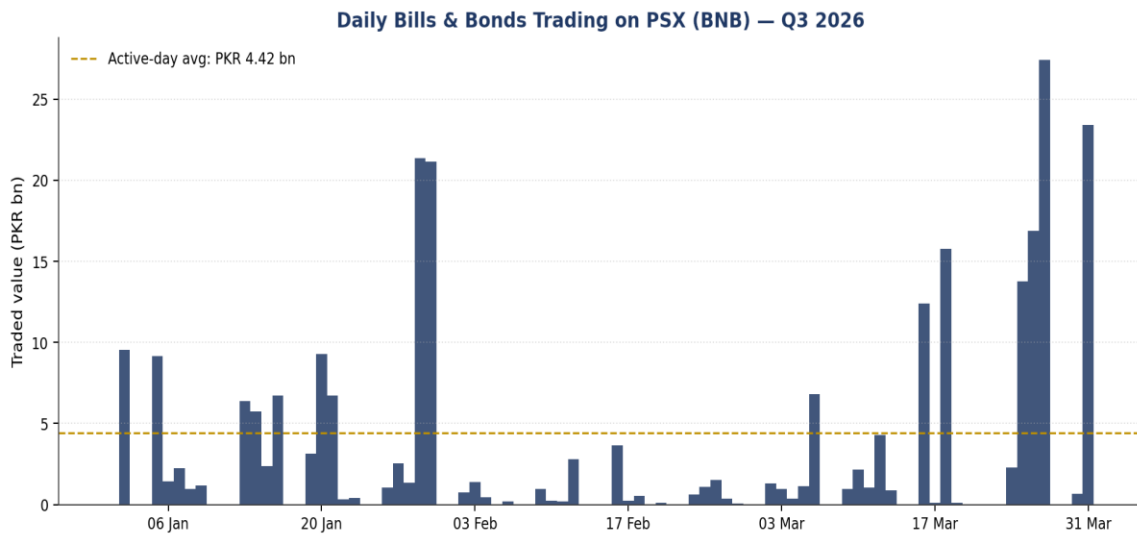


Figure 10. Daily traded value on the PSX Bills & Bonds (BNB) counter, Q3 FY 2026.

## 4. Pakistan Macroeconomic Context

The Q3 FY 2026 market performance cannot be read in isolation from the domestic macroeconomic environment. This section summarises the principal developments in monetary policy, prices, external balances and the IMF programme.

### 4.1 Monetary Policy

The State Bank of Pakistan's Monetary Policy Committee met twice during the quarter. At its 26 January meeting — the first MPC of calendar year 2026 — the Committee held the policy rate at 10.5 percent, against a consensus that had anticipated a cut to 10.0 percent [2]. The decision followed two cuts in the second half of 2025 that had brought the rate from 11.0 percent to 10.5 percent.

At the 9 March meeting, the Committee again held at 10.5 percent. The MPC statement attributed the decision to an “uncertain” macroeconomic outlook following the outbreak of war in the Middle East, specifically citing the military action by US and Israeli forces against Iran and Iran's response, which had produced a sharp increase in global fuel prices as well as freight and insurance costs [3]. The Committee noted the current account had posted a USD 121 million surplus in January 2026, taking the July–January FY26 deficit to USD 1.1 billion.

### 4.2 Inflation

Headline CPI inflation, which had moderated to 5.6 percent year-on-year in December 2025, rose successively through the quarter: 5.8 percent in January 2026, 7.0 percent in February, and 7.3 percent in March [4][5].

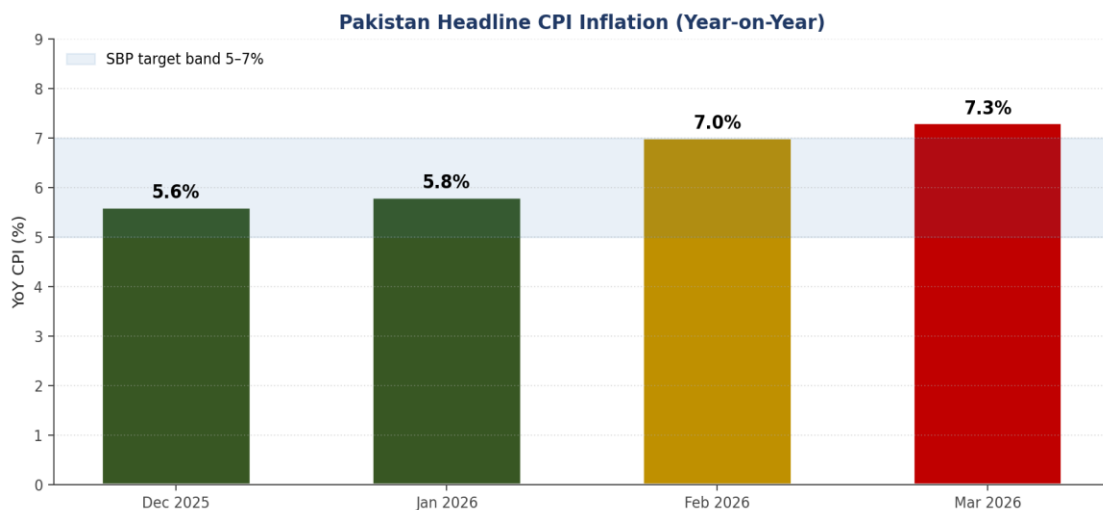


Figure 11. Pakistan headline CPI inflation, December 2025 through March 2026. Source: Pakistan Bureau of Statistics.

### 4.3 External Sector, Reserves and IMF

Pakistan's external position was comparatively stable in absolute terms through the quarter, though the composition and trajectory of reserves was sensitive to global developments. Foreign exchange reserves stood at USD 21.79 billion. The rupee closed at approximately PKR 279.11 per US dollar, with only minor variations during the period [7].

**IMF engagement intensified at quarter-end.** An IMF mission conducted the third review of Pakistan's 37-month Extended Fund Facility (approved September 2024) and the second review of the 28-month Resilience and Sustainability Facility (approved May 2025) in Karachi and Islamabad from 25 February to 11 March 2026 [8][9]. On 27 March, a staff-level agreement was announced which, subject to IMF Executive Board approval, would unlock approximately USD 1.0 billion under the EFF and USD 210 million under the RSF, bringing total disbursements under both programmes to approximately USD 4.5 billion [9][10]. The IMF communiqué noted that ongoing Middle East geopolitical tensions pose risks to the outlook, particularly through rising energy prices and tighter global financial conditions [9].

### 4.4 Economic Activity and Fiscal Position

Pakistan's economic indicators in Q3 FY 2026 point to stability amid external support. The State Bank of Pakistan maintained its policy rate at 10.5%, while consumer price inflation rose gradually from 5.8% in January to 7.3% in March. The external sector strengthened, with the current account recording a surplus of USD 1.37 billion and total liquid reserves reaching USD 21.79 billion. The PKR/USD interbank rate stood at 279.11 in March, reflecting relative currency stability. Further, IMF staff-level agreement on 27 March for USD 1.21 billion, provided additional support to Pakistan's external position..

Indicator		Q3 FY 2026 / Latest Reading	Source
SBP policy rate (26 Jan decision)		10.5% (held)	[2][11]
SBP policy rate (9 Mar decision)		10.5% (held)	[3][11]
CPI inflation	January 2026 (YoY)	5.8%	[6]
	February 2026 (YoY)	7.0%	[4][6]
	March 2026 (YoY)	7.3%	[5][6]
Current account, Jan-Mar 2026		USD 1.37 bn surplus	[17]
SBP FX reserves, Mar 2026		USD 16.38 bn	[7]
Total liquid reserves, Mar 2026		USD 21.79 bn	[7]
PKR / USD interbank, Mar 2026		PKR 279.11	[7]
IMF staff-level agreement		27 Mar 2026 (USD 1.21 bn)	[9][10]

Table 9. Pakistan macroeconomic indicators referenced in this report.

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## 5. Global Context

### 5.1 The 2026 Iran War

The global backdrop to Q3 FY 2026 was shaped by one major event: the outbreak of war between the United States and Israel on one side, and Iran on the other, beginning in late February. That event impacted the energy prices, the trajectory of the US dollar, and the performance of essentially every major asset class for the quarter. For an emerging market like Pakistan that is both a net energy importer and externally financed, the impact was substantial.

**Energy markets repriced sharply and rapidly.** Brent crude surged by approximately 10–13 percent in the first days of the conflict, reaching the USD 80–82 range by 2 March. Prices continued higher as the conflict escalated, with Brent briefly topping USD 119 per barrel in mid-March after Israeli strikes on Iran's South Pars natural gas field [13]. The International Energy Agency characterised the resulting conditions as “the greatest global energy security challenge in history”, and member countries collectively agreed to release 400 million barrels from strategic reserves, with the United States committing 172 million barrels [14].

### 5.2 Global Equity Markets

Developed-market equities were mixed-to-weak for the quarter. The S&P 500 fell 4.3 percent — its weakest quarter since 2022 — led lower by a sharp correction in US software and technology names alongside the late-quarter geopolitical shock [15][16]. US software stocks declined approximately 23 percent from the start of the year through 27 February on concerns about the software-as-a-service business model in light of new AI capabilities [15]. The MSCI Europe ex-UK index fell 2.3 percent, pressured by Europe's relative reliance on imported energy.

### 5.3 Afghanistan–Pakistan Conflict

Relations between Pakistan and Afghanistan had been under strain throughout CY 2025. The escalation began in late February 2026. On 21–22 February, Pakistan conducted airstrikes against in the Afghan provinces of Nangarhar, Paktika and Khost [12].

### 5.4 Other Relevant Developments

In the United States, the Supreme Court ruled that the Trump administration's use of the International Emergency Economic Powers Act (IEEPA) to impose broad-based tariffs was unconstitutional. In response, the administration announced a flat 10 percent tariff on all imports, which the SBP noted as an additional external consideration at its March MPC meeting [3][15].

## 6. Key Regulatory Developments

### 6.1 Transition to T+1 Settlement Cycle

Effective February 9, 2026, Pakistan's capital market successfully shifted from a T+2 to a T+1 settlement cycle. This milestone represents a major step in market modernization and brings Pakistan in line with global practices adopted by leading international markets.

### 6.2 IPO Approvals in Q3 FY 2026

Between January 1 and March 31, 2026, SECP approved three initial public offerings (IPOs): Signature Residency REIT, Pak-Qatar General Takaful Limited, and Ghani Dairies Limited. These approvals demonstrate sustained momentum in the IPO market and highlight growing confidence in capital markets as a reliable avenue for fundraising.

### 6.3 Amendments to Research Analyst Regulations, 2015

The Commission has notified revisions to the Research Analyst Regulations, 2015. These changes aim to strengthen investor confidence and enhance market transparency. The updated framework improves governance standards, establishes a systematic regulatory process for research analysts, and introduces mandatory registration with SECP.

### 6.4 Amendments to Public Offering Regulations, 2017

To facilitate access to capital markets for Associations of Persons (AOPs), Limited Liability Partnerships (LLPs), and carved-out, well-established business units of companies, amendments have been proposed to the Public Offering Regulations, 2017. Specifically, the requirement of a two-year profitable track record for public offerings has been simplified.

### 6.5 Public Consultation on Referral Programs for Securities Brokers

The Commission released a Consultation Paper proposing amendments to the Securities Brokers (Licensing and Operations) Regulations, 2016. These amendments would allow brokers to introduce referral incentive programs, enabling existing clients to act as "referrers" under structured schemes designed to attract new investors.

### 6.6 Reforms in Customer Onboarding

To promote financial inclusion and support small investors, the Sahulat Account limit has been raised from Rs. 1 million to Rs. 3 million. Additionally, duplications and redundancies in the account opening process are being eliminated to ensure seamless Straight Through Processing.

## Conclusion

**Q3 FY 2026 was an exceptionally challenging quarter for the Pakistan Stock Exchange mainly due to external environment.** The benchmark KSE-100 declined 14.54 percent, the KSE All Share 14.85 percent and the KSE-30 15.52 percent. Aggregate market capitalisation of listed securities contracted by PKR 3.15 trillion, or 16.00 percent, from PKR 19.69 trillion to PKR 16.53 trillion.

**The principal drivers of the decline were external.** The Afghanistan–Pakistan border situation escalated in late February, and joint US–Israeli military action against Iran began on 28 February. The resulting rise in global energy prices, disruption of Strait of Hormuz shipping and generalised risk-off in emerging markets produced the acute downside for the PSX, alongside an accelerating domestic inflation print that rose from 5.8 percent in January to 7.3 percent in March.

**The investor flow was supported by locals.** Foreign portfolio flows were PKR 111.61 billion net negative in equities, with Foreign Corporates alone divesting PKR 117.07 billion. Overseas Pakistanis were the only foreign client category to record net buying. The domestic investor base absorbed the entire outflow: Companies, Mutual Funds, Individuals and Other Organisations were all net buyers, while Insurance Companies and Broker Proprietary desks were net sellers.

**Debt-market activity during the quarter stood in contrast to the equity picture.** Three GoP Ijara Sukuk auctions raised PKR 811.53 billion in face-value issuance against an aggregate target of PKR 800 billion, with combined bids of PKR 2,031.57 billion representing a 2.54 times bid-to-cover. Commercial Banks were the dominant subscribers at 91.52 percent of issuance; Mutual Funds added a further 5.23 percent. Secondary-market turnover in GoP Ijara Sukuk totalled PKR 185.14 billion across 2,062 trades, with February showing the weakest activity; bills-and-bonds trading on the PSX BNB counter added a further PKR 260.94 billion. Two privately-placed corporate sukuk were listed during the quarter, both in early January.

**Stabilising features are evident.** SBP total liquid foreign-exchange reserves stood at USD 21.79 billion at quarter-end; the rupee remained close to PKR 279 per US dollar; and on 27 March an IMF staff-level agreement was reached on the third review of the Extended Fund Facility and the second review of the Resilience and Sustainability Facility, unlocking approximately USD 1.21 billion in combined disbursements. Large-Scale Manufacturing and private-sector credit indicators were consistent with the macroeconomic projections published by the SBP in January. Overseas Pakistani flows remained positive throughout the quarter.

**Key Regulatory Reforms.** SECP has introduced regulatory reforms. These reforms underscore Pakistan’s commitment to building a modern, transparent, and investor-friendly capital market. By aligning settlement practices with global standards, simplifying onboarding, encouraging innovative brokerage models, enabling AOPs & LLPs’ access to capital markets and reinforcing research governance, the regulatory framework is evolving to support sustainable growth, broaden participation, and enhance investor trust in the financial system.

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## Data Sources

The quantitative content of this report is derived from four transactional datasets. Each is described briefly below.

- KSE Indexes dataset. Contains daily open, high, low and close values for the KSE-100, KSE All Share and KSE-30 benchmark indices for the 61 trading sessions between 1 January and 31 March 2026 inclusive.
- KSE closing-price dataset. A separate extract containing daily closing values for the three indices, used for cross-validation of the primary source.
- Capital Market Volume and Market Capitalisation dataset. Per-symbol, per-day records of traded volume, traded value and market capitalisation, covering listed symbols across 61 sessions.
- LIPI / FIPI Foreign and Local Portfolio Investment dataset. Quarterly aggregates of gross buy, gross sell and net buy/sell values by client type for equity and debt segments, as reported through the NCCPL channel.
- Debt instruments dataset. Contains GoP Ijara Sukuk auctions (instrument-wise and category-wise primary market), GIS secondary-market month-wise trading, corporate debt listings during Q3 FY 2026, and daily Bills & Bonds (BNB) counter trading on PSX. Spans 3 primary auctions, 2,062 secondary-market trades, 2 new debt listings, and 61 daily BNB records.