

# Investors reiterate confidence in outlook for Pakistan



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## Eurobond oversubscribed by 7 times

As per reports, Pakistan has successfully sold US\$750mn worth of 10-year Eurobonds at 6.875%. The search for high-yielding assets combined with Pakistan's strong economic fundamentals have yielded a 7 times oversubscription for the US\$500mn+ initial offering of the Eurobond, indicating investors' strong confidence in Pakistan's economy and leadership. We expect the proceeds of the Eurobond will be utilized for development expenditure.

## Positive for equity markets

In an anticipation of good Eurobond proceeds, Pakistan's equity market has increased by 3.65% (or 448 points) in the current week, reflecting broad-based positive sentiment in the market. Looking forward, we expect Pakistan's equity market to attract further foreign capital, as we believe that Pakistan equities offer attractive valuation vis-à-vis regional peers (9.8x 2008E earnings).

## What to look for next?

The finance minister will hand down the 2007-08 Federal Budget on June 9. This is a pre-election budget and will, therefore, likely carry proposals aimed at stirring excitement among the masses as well as for the markets. We are anticipating a cut in corporate taxes to 32% from 35%, a 50bp hike in the National Saving Schemes (NSS) rate, and a PRs520bn-550bn (or 5.5% of GDP) allocation to Public sector Development Projects (PSDP).

**Table 1: Eurobond issue details**

Amount subscribed	US\$750mn
Maturity	June 1, 2017
Coupon	6.88%
Issue price	Par
Payment date	June 1, 2007
Spreads	200bp over treasuries
Yield	6.88%
<b>Deb rating</b>	
Moody's	B1
Standard & Poor's	B+
Denominations	\$100,000 x \$1,000
Listing	Luxembourg

Source: Dow Jones

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