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Pakistan Stock Market Surges 27 Percent in Wake of Operation Sindoor: Key Drivers Behind the Rally

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The Pakistan Stock Exchange (PSX) has witnessed a striking 27 percent rally since the launch of Operation Sindoor, marking a major turnaround in investor sentiment. This resurgence reflects a renewed sense of stability, bolstered by key developments in domestic security, investor confidence, and foreign inflows. The operation, designed to restore law and order in

volatile regions, has served as a catalyst for economic optimism, signalling to both local and foreign investors that Pakistan is serious about safeguarding its financial and civic institutions.

One of the primary drivers of this surge is improved security on the ground. Operation Sindoor, launched as a coordinated effort between the military and civil forces, has significantly curbed organised criminal activity and separatist violence, particularly in Karachi and interior Sindh. The resulting reduction in unrest has created a more favourable environment for business operations and private investment. Investors view political and territorial stability as foundational for sustainable economic growth, and the market has responded in kind.



Secondly, corporate earnings across key sectors such as banking, cement, and energy have beaten expectations in recent quarters. With the Pakistani rupee stabilising and interest rates peaking, firms have begun to see operational improvements and better profit margins. The PSX's benchmark KSE-100 Index has rallied on strong performance from heavyweight stocks, particularly those with export potential or dollar-linked revenues. Domestic investors, buoyed by positive forecasts, have returned to equities, while institutional players have also increased their participation.

The third factor is the growing inflow of foreign investment and remittance-backed liquidity. Operation Sindoor has not only improved internal security but also signalled a clear commitment to reform. This, combined with proactive outreach to foreign investors and multilateral partners, has brought a level of credibility back to Pakistan's financial governance. Although macroeconomic risks remain, including inflation

and external debt servicing, the strong market rebound suggests investors are betting on Pakistan's long-term recovery.

This 27 percent gain is more than a technical bounce. It reflects a broader confidence that Pakistan can turn the corner if political will is matched by reform and security enforcement. While caution remains prudent, the current rally underscores the latent potential of the PSX when peace, policy, and profits align. The challenge now is to build on this momentum and ensure that it is not short-lived.

