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Pakistan Stock Exchange Soars on Reserves Surge and Mutual Fund Investments

July 18, 2025

— Categories: Economics



The Pakistan Stock Exchange (PSX) surged to record highs on July 17, 2025, fueled by robust foreign exchange reserves and significant mutual fund inflows, boosting investor confidence. The benchmark KSE-100 Index hit an intraday peak of 138,943.47, reflecting Pakistan's strengthening economic outlook. This article explores the drivers behind the rally, the role of macroeconomic gains, and the implications for Pakistan's financial markets.

The PSX's KSE-100 Index, a key indicator of market performance, climbed 1,788.41 points, or 1.31%, reaching 138,168.37, with a low of 136,674.98, up 295.02 points, as reported by The News. A surge in foreign exchange reserves, reaching \$14.51 billion for fiscal year 2025 (FY25) as per the State Bank of Pakistan (SBP), exceeding the International Monetary Fund (IMF) target of \$13.9 billion, has instilled optimism. "Mutual funds invested over \$50 million in equities, driven by higher taxes on money market returns and rising SBP reserves," said analyst AAH Soomro, predicting the KSE-100 could surpass 140,000. Strong remittances of \$38.3 billion, up 27% year-on-year, and a 43% rise in auto sales further bolstered sentiment.

Key sectors like banking, cement, and energy led the charge, with United Bank Limited (UBL) announcing a record Rs8 per share dividend, adding 430 points to the index alongside Hub Power and Pakistan State Oil (PSO). "Improved macroeconomic indicators and strong corporate earnings are driving this rally," noted Samiullah Tariq of Pakistan Kuwait Investment Company Limited (PKICL), as quoted by Dawn. The shift from fixed-income to equities, spurred by lower bond yields, has fueled aggressive buying by local mutual funds, as confirmed by National Clearing Company of Pakistan Limited (NCCPL) data.

This rally underscores Pakistan's economic resilience, defying past political turbulence and global uncertainties. Unlike markets hampered by inconsistent policies, the PSX's momentum reflects confidence in fiscal reforms and IMF support. As corporate earnings continue to impress, the market's upward trajectory signals a robust future, positioning Pakistan as a compelling destination for investors seeking growth in a dynamic economy.