GEOPOLITICAL REALIGNMENT AND MARKET STRATEGY
NAVIGATING THE ESCALATED FEAR
MARCH 3, 2026

The PSX witnessed a historic bloodbath on **Monday, 2nd March 2026**, where coordinated U.S.-Israeli strikes that resulted in the death of Iran's Supreme Leader Ali Khamenei, plunged the Middle East into a phase of open, high-intensity conflict. The benchmark index lost a staggering 16,000+ points (9.5% value) in a single day – comfortably the largest decline by points in a single day and the second highest in terms of percentage after a 12.8% decline in 1998.

The negativity was expected, the quantum surprised a bit

The negative volatility was expected due to the market pre-empting the impact of Middle East tension on international oil prices and negative sentiments in global / regional markets. We have already discussed the impact of rising oil prices on inflation and external account and strategies to counter the same in our Rapid Reads edition of February, 2026.

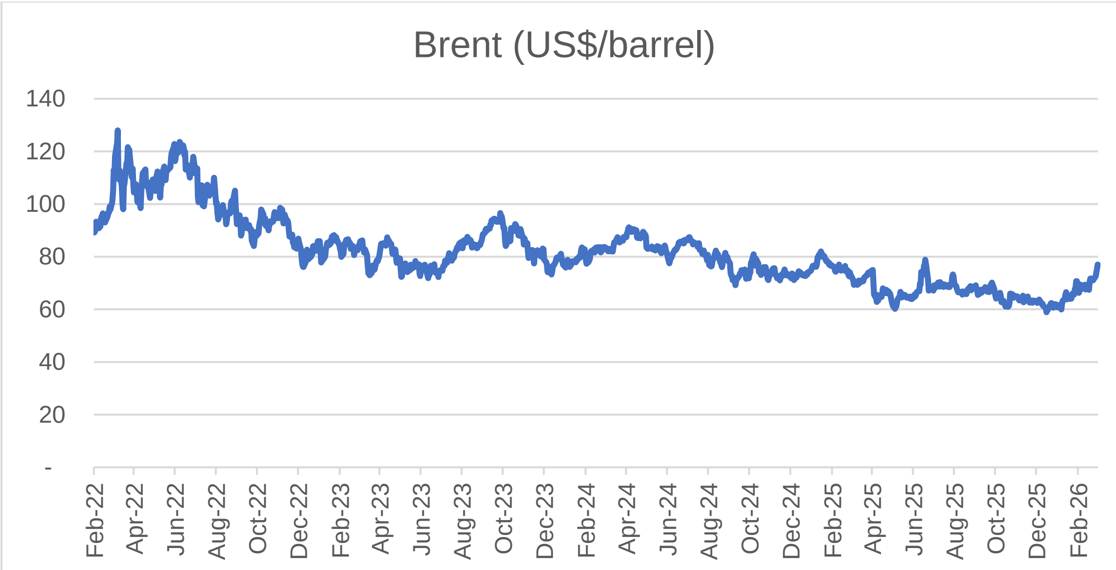
The quantum of the move however did come as a bit of a surprise as:

i) Middle Eastern Markets (which did not decide to close the exchange temporarily) fell only 2%-4%, despite being at the center stage of the war. Saudi (-2%) and Qatar (-4%) were the notable markets that operated while Kuwait and UAE decided to close their markets. Other Asian markets too remained in the negative territory of 1% - 3%, while US markets were negligibly positive.

	RETURN POST 1ST MAR WEEKEND	FWD P/E (X)
PAKISTAN	-10%	6.80
QATAR	-4%	10.20
EGYPT	-3%	7.61
INDONESIA	-3%	12.88
HONG KONG	-2%	11.19
KSA	-2%	14.62
SINGAPORE	-2%	13.92
VIETNAM	-2%	11.49
INDIA	-2%	17.18
JAPAN	-1%	21.84
DOW JONES	-1%	19.01
TAIWAN	-1%	19.10
MALAYSIA	-1%	15.18
FTSE 100	-1%	14.57
CHINA	0%	14.26

ii) International oil prices, despite the imminent closure of Strait of Hormuz through which a significant amount of oil crosses for international trade purposes only rose 8% on the day.

This is in contrast to the immediate reaction that was seen when Russia – Ukraine conflict erupted in Feb 2022, albeit followed by an escalation of 20%+ in the next few months.



Both these indicated that global markets were not pricing in a 'worst case' scenario but the Pakistan market seemed to react more than global markets.

How to navigate this period? Monitor the volatility but valuation framework should not be ignored

As we highlighted in our [Monthly Outlook video for March, 2026 (dated Feb 27, 2026)] while volatility will likely grab the attention and headlines, it will be imperative to not take the eye of the P/E valuation framework. KSE100 already lost 9% in Feb 2026 and combined with this additional 9.5% hit is now down around 20% from its recent peak.

This means that our P/E multiple is now down from 9x to below 7x in just the space of 4 weeks – and is now trading lower than the long-term average. A reversion to mean, once clarity emerges, could deliver significant returns.

Should I wait for clarity and then invest?

There can be merit to this strategy – but data suggests otherwise. As we highlighted in our [Rapid Reads edition of December, 2025] where we depicted with data that why it was more profitable to give the market time to depict its powers by staying invested vs trying to time the market for good entry and exit points.

"Staying long" for long term investors with a right risk appetite remains our foundational philosophy, and it has never been more relevant than it is today. We reiterate, our commitment to this stance.