Overview of the Crash of KSE

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28 December 2022

CHAPTER 1: PROBLEMS AND ITS BACKGROUND

1-1 Introduction

Technical analysts attempts to determine whether a market or security is in a bull or bear phase and to generate trading strategies to exploit this phase. Many technical analysts believe that financial markets are cyclical and move in and out of bull and bear market phases regularly but what is bull and bear market.

Bull market

"Bullish" is a term used in financial markets to signify optimism and confidence that security prices will trend higher.
In general, bullish refers to the market as a whole (a "bull market") but it can also be used to refer to specific securities.

Origin

The origin of the term bullish is somewhat unclear. Some say the term derived from trader's lingo that a rising market is akin to a charging bull knocking old price levels out of its way as it makes new highs. The most common explanation for the terms bullish is that a bull attacks by thrusting its horns upward i.e. (higher prices).

Bear Market:

A bear market is a phase in the life of a financial market, such as a stock market, in which the prices of most securities fall consistently, as reflected by a downward movement of one or more key stock market or other financial market indices. Investors, anticipating further losses, are thus motivated to sell, and the pessimistic sentiment may feed on itself in a vicious circle.

Prices fluctuate constantly on the open market; a bear market is not a simple decline, but a substantial drop in the prices of a range of issues over a defined period of time. By one common definition, a bear market is marked by a price decline of 20% or more in a key stock market index from a recent peak over at least a two-month period. However, no single definition of a bear market exists.

Decline in the index of below 15-20% are generally referred to as "corrections" or "adjustments" in the market. An exaggerated bear market characterized by panic selling is called a stock market crash.

Origin

The precise origin of the phrases ""bear market" is obscure. The most common etymology points to London bearskin "jobbers" (brokers), who would sell bearskins before the bears had actually been caught in contradiction of the proverb *ne vendez pas la peau de l'ours avant de l'avoir tué* ("don't sell the bearskin before you've killed the bear")—an admonition against over-optimism. By the time of the South Sea Bubble of 1721, the bear was also associated with short selling; jobbers would sell bearskins they did not own in anticipation of falling prices, which would enable them to buy them later for an additional profit.
Interestingly, some say that the term bearish originated from a steep decline in US equity prices in the early 20th century as women's hemlines rose revealing "bare" knees.

The origin of term Bearish is best explained by an example when a bear attacks by swinging its paws downward (lower prices).

Crash Related to international standards.

A precipitous drop in market prices due to economic conditions OR a sudden dramatic loss of value of shares of stock in corporations. Term crash can be defined as a situation where panic arises leading to failure of settlements and squaring of positions. Crashes often follow speculative stock market bubbles.

The most famous crash in 1929, (known as Black Thursday) when the Dow dropped 50%, preceded the Great Depression. The succeeding years saw the Dow drop a total of over 85%.

There was also a crash or "adjustment" on Monday October 19, 1987, known in financial circles as Black Monday, when the Dow Jones Industrial Average lost 22% of its value in one day, bringing to an end a five-year bull run. The FTSE lost 10.8% on that Monday and a further 12.2% the following day. The pattern was repeated across the world.

KARACHI STOCK EXCHANGE

Karachi Stock Exchange is the biggest and most liquid exchange and has been declared as the "Best Performing Stock Market of the World for the year 2002". As on June 30, 2005, 659 companies were listed with the market capitalization of Rs. 2,068.19 billion (US $ 34.70) having listed capital of Rs. 438.49 billion (US $ 7.36 billion). The KSE 100 Index closed at 7450.12 on June 30, 2005.

KSE has been well into the 4th year of being one of the Best Performing Markets of the world as declared by the international magazine "Business Week". Similarly the US newspaper, USA Today, termed Karachi Stock Exchange as one of the best performing bourses in the world.

History

The Karachi stock exchange was established on 18th September 1947.it was later converted and registered as a company limited by guarantee on 10th march 1949.Initially, 90 members were enrolled, and however, only half a dozen of them were active as brokers. Similarly only 5 companies were listed with a paid up capital of Rs 37 million.

KSE began with a 50 shares index. As the market grew a representative index was needed. On November 1, 1991 the KSE-100 was introduced and remains to this date the most generally accepted measure of the Exchange. The KSE-100 is a capital weighted index and consists of 100 companies representing about 88 percent of market capitalization of the Exchange.

In 1995 the need was felt for an all share index to reconfirm the KSE-100 and also to provide the basis of index trading in future. On August 29, 1995 the KSE all share index was constructed and introduced on September 18, 1995.

However again on April 1 2005 the recomposition of the index has been made effective in which some of the companies were taken out from the index and some companies were brought in to the index based on the Active volume trading analysis.

PRESENT STATUS

GROWTH & PROGRESS	* As on June 30, 2005

Today KSE has emerged as the key institution of the capital formation in Pakistan with:-

i. Listed companies 659, securities listed on the exchange 700: ordinary share 659, Preference shares 15 and debt securities (TFC's) 26.

ii. Listed capital Rs.438, 489.99 million (US$ 7,357.21 million).

iii. Market capitalization Rs.2, 068, 187.15 million (US$ 34,701.13 million).

iv. Average daily turnover 432.34 million shares with average daily trade value Rs. 39,556.18 million (US$ 663.69 million).

v. Membership strength at 200.

vi. Corporate Members are 112 out of which 9 are public listed companies.

vii. Active Members are 155.

viii. Fully automated trading system with T+3 settlement cycle.

ix. Deliveries through central depository company.

x. National Clearing and Settlement System in place.

Previous Stock Market Crises

There was stock market crisis in May 2000 .The crisis occurred mainly due to over trading triggered by COT financing, attempt to manipulate and lack of effective risk management system. As a result one member of KSE was declared defaulter and the KSE remained closed for one day. On the other hand at least four members of LSE were either suspended or declared defaulter and LSE remained closed for at least two days.

Abnormal situation also arose at Karachi Stock Exchange during 20-22 May 2002. The market went down sharply due to growing border tension between India and Pakistan and rumors of non availability /withdrawal of funds by COT Financiers. During the period 20-22 May 2002 KSE-100 index dropped by 14%. As a result market remained closed for one day i.e. 23 May 2002.

Finally the March 2005 crisis:

The KSE experienced a steady bull run reflected in both the KSE 100 index and trading volumes, starting just after the last stock market crisis in May 2002, until end November, 2004. This period saw increased turnover, which, however, remained under Rs. 20 billion (except for a brief period between March and June 2004). The main factors behind the 'bull run' were:

i. Increased liquidity due to higher remittances.
ii. A regime of low interest rates
iii. Improved corporate performance
iv. Higher oil prices
v. Relatively liberal availability of COT financing
vi. IPO's of public sector enterprises marked for divestment and floatation of more Mutual funds

Just as some of these positive influences on the stock market was beginning to wane, such as: interest rates began to rise, remittances started to level off, COT phase out of scripts commenced, the KSE 100 shot up.

Starting December 2004, and culminating in mid March 2005, the KSE saw an unprecedented rise in the KSE 100 index, increasing by 65% from 6,218 on December 31, 2004 to 10,303 on March 15, 2005. This sharp climb in the index was accompanied by an increase in the value traded from around Rs.20 billion to a range of Rs.50-100 billion per day. This ascent in the index was facilitated by increased COT financing and the activation of the futures market, which had been dormant since its introduction in 2001.Yet there were some other assumptions as well.

The KSE 100 index was booming like anything, share prices shot up, exceeding all previous peaks, the lead players of the KSE were talking of exceeding 10000 points and then 12000 points, but the prudent had to watch out. While some did, but most of them were blind and greedy when earning huge amount of speculative profits were concerned. The market gave every individual to earn 100 times than they could earn in any other business. Even the lower scale people for example peons working at KSE earned far much more than their salary .Nobody cared for the fundamentals or overvalue of prices and finally the index crossed 10000 on 15th of march and it was forecasted the index of 12000 would be set as a high record, more and more speculators, traders, investors pour in but to great disappointment than came a sudden tumble i.e. From 16 March onwards the stock exchange faced a huge crisis which created such a huge panic that no trader could sell their shares or settle their transactions. Traders lost 4 to 5 times what they earned and still they weren't able to sell their shares to get rid from further losses. Especially shares like OGDC created a huge panic which prices fell from **190 to 106** when finally the victims could settle the position. There was a huge panic individuals trading at that time suffered heavy losses, even quite of them got bank rupted and few could not bare the situations which lead to suicides and rebellious actions within KSE

1-2 Statement of the problem

What were/are the reasons behind the fall in the share prices at KSE that resulted in a declining KSE market? This question mainly pertains to the fall of shares in mid March, 2005 and the subsequent decline. It will uncover why the market swung from such a rapid increase to a decline.

1-3 Significance of the study

My research on such an unforgettable crisis **"Overview on the recent crash in the KSE Index**" during mid march 2005 will enhance the knowledge of many individuals to secure them selves from any such crisis in future specially persons related to capital market business. Many students and individuals don't have the knowledge of this situation which had been no more than a storm on individuals trading at that time who had suffered heavy losses, even quite of them got bank rupted and few could not bare the situations which lead to suicides and rebellious actions within KSE. The purpose of this report to make people aware that "things most attractive can have most dangerous impacts just as the bullish trend in KSE".

Finally at the end ,I hope that, whoever will read this report ,will some how enhance his/her knowledge about this unforgettable issue and I myself will definitely develop the understanding on this issue and my working will be most beneficial for me because I have been myself trading at stock exchange since few years and I have very keen interest in this business as its one of my family business .Besides I have interned at the top brokerage house "AKD" and have very strong personal links with the top most brokers so it will be easier for me to work on this report in deep and this report might get published as well if approved by AKD risk manager if not than also it will be most beneficial for me because stock exchange is the place where my future lies.

1-4 Scope of the study

The research on this topic is limited to "The Karachi stock exchange" only. Study will be limited to those factors only that directly or indirectly affected the investments in the KSE-100 index during the most dangerous crisis of March 2005. The topic is specifically design by understanding and monitoring the current issue present at Karachi Stock Exchange, which has a deep impact on the mind of people which ultimately hinders the bullish trend in market.

1-5 Delimitations

Research will totally be based on the factors that were specifically pertinent to the "Bearish performance" of the KSE-100 index starting mid of March 2005.However presently the index is on its bullish trend and before the above mentioned crisis KSE had been one of the top emerging markets with ever high index never seen before. Though the upward trend will be given some consideration but the main emphasis will be pertinent to the bearish trend in market.

Definition of terms

KSE-100 index: Composed of 100 actively trading companies, whose market capitalization is around 86% of the total market capitalization in KSE-100 Index

Market capitalization: One particular share price* Trading volume.

Blue Chip: A largely well-established company with a history of profitable operation.

IPO: Initial public offering, the offering of equity shares of a company to the general public for the first time.

Securities: A broad term for shares, corporate bonds or any other form of paper investment in the capital market.

Primary market: where a company issues new shares, either for the first time, or at the time of issuing additional securities.

Privatization: Conversion of a state-owned company to a public limited company (PLC) status

PLC: Public limited company, whose shares are offered to the general public and traded freely on the open market.

Member: A member of a Stock Exchange

Broker: A person who arranges a financial transaction by bringing a buyer and seller together and usually earns a commission.

Agent: A person appointed by a broker to act on his behalf for the purposes recognized by a stock exchange

Associated person: Any partner, employee, officer or director of a broker

Badla: Carry over transactions on the next day.

Carry Over Transaction: A trading activity in which, entity A purchase a security with the financing of entity B, for the purpose entity A pays monetary benefits to entity B.

Bhata: Making a short transaction.

Short position: When an individual makes a blank sell i.e. selling asset to which you are not entitled.

Long position: When an individual purchases any shares i.e. having a net buy position

CDC: Central Depository Company of Pakistan engage in electronic record keeping and data gathering of shares securities traded at KSE.

Contango: A condition in future markets when future price is greater than spot price.

Arbitrage: A transaction based on the observation of the same asset or derivatives selling at two different prices. The transaction involves buying the asset or derivatives at the lower price and selling it at the higher price.

Arbitrageur: An individual who engages in an arbitrage transaction.

Backwardation: A condition in future markets when future price is below spot prices.

Future Contract: An agreement between two parties, to buy or sell an underlying asset at a later future date on today fixed price that trades on future exchange and standardize, subject to mark to market.

Mark to Market: The difference between the settlement prices of one trading day, the net gain/loss is called Mark to Market.

SECP: Security Exchange & Commission Pakistan, The federal agency responsible for regulating the future securities at Pakistan stock exchanges.

Settlement Price: The last traded price at which the share security was traded at the end of the trading day.

At best order: An order to buy or sell a security as soon as possible at the best Available market price;

Limit order: To buy or sell a security at a customer specified price

Speculation: Investments characterized by a high degree of risk and usually short holding periods.

Speculators: One who engages in speculative transaction.

Proprietary Trading: Trading conducted by a broker, agent or an associated person trading on his own account for direct gain instead of commission.

Spot Market: The market for assets that involves the immediate sale and delivery of the asset.

Volatility: The characteristics of fluctuations in price. Usually refers to standard deviation.

CHAPTER 2: RESEARCH METHODS AND PROCEDURES

2-1 Research Design and Methods

The research is deigned to illuminate the bearish performance of the Karachi stock exchange during this year. It has covered all the important aspects related to the KSE that will help the individuals in terms of managing their investment. ***DESCRIPTIVE RESEARCH*** will be done because I have to describe the factors which resulted as a bearish trend or lead to such a disastrous crisis.

The study will be done in the natural environment and not in a controlled one, because of the nature of issue being analyzed. The type of research used for the purpose of study is that it is **C0-Relational study** where by the objective to simply identify the important factors is associated with the problem

The method by which the research will be conducted involves both primary as well as secondary data. Primary data will be collected by arranging unstructured interviews from eminent brokerage houses.

While designing the research of this study it was considered that it should serve the purpose practically and should be in line with the objective of the study. All the expenses and barriers were kept in consideration while designing this research.

2-2 Respondents of the Study

The respondents of the study are representatives from the eminent brokerage houses in Karachi stock exchange and Financial analysts, in order to cover the aspects of the project effectively and efficiently .The respondent employee or member will be from the AKD Securities Pvt limited and Worldwide securities(one of the highest volume leaders during crisis).

2-3 Research Instrument

The data will be gathered through different sources in order to collect a sufficient data for making this project thesis more understanding, generalize and effective. These sources for data collection will be primary and secondary sources.

Primary:

A. Interviews with KSE Members and their clients.
B. Observations

Secondary:

A. News papers
B. Web sites
C. Brokerage House
D. Research reports of brokerage houses
E. Library of Karachi stock exchange
F. Economic survey
G. Business related Magazines.

2-4 Treatment of the Data

The data that will be gathered through primary and secondary sources will be analyzed mostly in verbal context not in numeric (quantitatively).However obviously the price fluctuations and other statistical data will be in quantitative form.

CHAPTER 3: REVIEW OF LITERATURE AND STUDIES

3-1 LOCAL LITERATURE:

Article #1: Badla financing: PAC demands details of investors
Date: April 03 2005
Source: Accountancy news – general. Courtesy of Business Recorder
http://www.accountancy.com.pk/pr_pg_newsgen.asp?newsid=1518

ISLAMABAD (April 03 2005): Taking serious notice of the recent crisis in the stock market, Public Accounts Committee (PAC) has directed the Securities and Exchange Commission of Pakistan (SECP) and Karachi Stock Exchange (KSE) to give the names of brokers and financial institutions involved in making investment in Badla financing.

Heads of SECP and all three stock exchanges explained the reasons behind the recent crash on the Karachi Stock Exchange to PAC on Saturday. SECP Chairman Dr Tariq Hasan patiently responded to all questions and apprehensions raised by committee members.

In a special session on the "crises in the stock exchanges", the committee also directed the SECP and KSE to submit names of those brokers, or institutions, who operated in the 'ready market' and subsequently sold the shares at a huge differential price in the 'futures' market'.

This created a crisis-like situation, as small investors were unable to square or clear their positions, whereas the institutions not only made huge profits, but also pressurized the market by blank selling of the scrip's.

The PAC directed the SECP to take practical steps for identifying forces and big players who are suffocating small investors and causing loss of billions of rupees, and ensure measures to prevent such happenings in future.

The PAC also directed the Commission and KSE to give names of parities who invested in OGDC, PTC, POL, NBP and PPL, as major downfall in the index was witnessed due to the substantial decline in shares prices of these scrip’s.

Over-speculation has been termed as betting by certain quarters. If any event of gambling is brought to the notice of SECP, the Commission would take strict action. Moreover, the culprits would be taken to task, who committed fraud with the small investors.

"The facts would not be hidden from the committee, and legal lacunas, if any, will be removed", he added.

The PAC members termed the presentation made by SECP Joint Director as technical, as the committee was more interested in the reasons behind the steep fall of KSE instead of understanding the technical language used in the stock exchanges. Some PAC members also pinpointed that the SECP presentation reflected that no crash-like situation had taken place. "If SECP thinks no such situation has arisen then what are the regulators going to investigate?"

Later, the Managing Director of Karachi Stock Exchange (KSE), Moin Fudda, explained the whole situation in simple language in minimum time and managed to calm down the situation.

Article 2 Business Recorder April, 7th, 05 Mian Asif said

Sell futures, offset with buying spot in major scripts

In an earlier article title How much Did you loose at the casino (business recorder 24/04/04), This subscribed some harsh words to say above the competence of our financial managers in general and of those populating our capital markets in particular. May be it was not such a great idea because ever since I have again been receiving e-mail from my BR readers seeking informed answer to specific questions. Not responding at all is deemed anti-social. I purpose sale stepping the tedium of scores of individual e-mail responses by aware my business recorder generally in publishing articles.

Since avid readers of the country dailies have already waded through 3 weeks of profound inept on the subject from would be experts I shall endeavor to keep my own point fictions as brief as perfect.

Q. Why did the KSE melt down occur in mid march 2005, and not earlier or later after all the KSE 100 index has been around for 15 years and has at least since 9/11, Remanded generally north bound?

A. As late as three years ago, with KSE 100 index languishing around 1600, the average price earning ratio was only 4, This means that even through investors were effectively guaranteed an investment payback, no one in as a right mind to invest in reputedly fund-terrorist state like Pakistan.

The skyrocketing KSE 100 index after 9/11 had just one source, the USD 300 million aids.

Thus KSE 100 index was likely to rise or fall by around 155 per annum exactly the norm for indices at the stock exchanges world over.

But on March 3, 2005 my model began flashing red. It suddenly started predicting a jump in future volatility to over 50 percent per annum over three times standard norm a level that it still displays even after a laps of 1 month. This was a simpatham of immanent disaster and form the basis for my march seven warning to the investing public of course no one paid any heed. Unless such is the faith of Cassandra's.

What made the KSE 100 index volatility jump so suddenly and why has it not needed to the ton cal levels even after the recent blood –bath witnessed all the KSE trading floor? To answer this, let us for a moment delve in to "current history"
Till Oct, 2004 KSE was a traditional stock exchange, the sort that barked back to the 18^{th} 19^{th} centuries, in other words it only traded on spot (what we in Pakistan call "Ready Market") for shares, if you want to buy some shares of PSO, your broker quoted you the screened price for it. You paid 100% of this quoted priced in to cash, or if you were a reputed trader, the exchange allowed you "Badla Financing" at the going rate of interest against the security of your portfolio eligible shares. I.e. you pledged your holding in other shares to buy the PSO shares on credits, since the bulk of share buying was cash based.

Then in 2003,KSE was forced to commence "Future Trading" in 30 selected scripts for up to 30 days future contract. This meant that, for the first time investor were now allowed to buy and sell shares 30 days in to the future and since the concept of margin trading was now well established. They could do so without putting their 100% cash or securities for then future investment.

Imagine what a heaven sent reprieve it was for the entire banking industry. On a conservative estimate, of the PKR 100 Billion average recent daily trade at KSE, over two thirds is by the financial institutions, now they could invest without fear of a downward market spiral decimating their equity portfolios by simply selling equivalent futures….a 100% hedge!

Concurrently, a small investor now had the opportunity to make huge leveraged bets. Instead of blocking his meager capital to buy a handful of OGDC, PSO, POL, PPL, PTC or NBP shares, he needed only to put 10% cash margin to buy 10 times through future contracts and imagine these shares appreciated just 10% in 30 days, a speculators got 100% return on its investment.

Thus we spawned a happy nexus between sellers of future (bank, hedgers) and the buyers (punters public). As banks "shorted Futures" and agrees to pay daily mark to market difference (done weekly), and investors went "long future" through 30 days forward increasingly higher and higher prices.

What was happening? Was there a concerted attempt by the KSE brokerage mafia to rob innocent investors?

The truth of the matter is much more prosaic. Since investor hunger was growing at a rapid pace through the early part of this year, and putting up to 10% cash margin, future prices shaped to up ward trend on related to the spot prices and as the spot price rose, so did again the future prices. This generated a multiplier effect. Little wonder then that a KSE 100 sky mocked from 6220 on 3rd Jan to 10303 on march 16th ….a 66 % growth spanning a mere 51 trading days. Such a bubble to burst and it did.

A novel feature to this KSE tea party can be seen by a closer scrutiny of the first line of chart 2.

DATE	**OGDC**	**PTC**	**PPL**	**NBP**	**PSO**
Corr. With					
KSE-100	97.25%	95.40%	96.19%	98.03%	95.98%
Annual Volatility	62.94%	60.69%	62.87%	51.60%	54.91%
3-JAN	74.35	44.35	141.10	81.40	286.95
14-JAN	76.70	51.55	142.40	97.95	321.80
31-JAN	81.00	60.80	135.50	95.85	330.60
15-FEB	89.75	65.85	164.80	111.70	359.75
1-MAR	122.50	68.95	258.50	138.75	433.60
15-MAR	189.75	87.90	314.90	161.75	488.90
31-MAR	111.55	70.25	225.15	115.90	498.00
1-APR	106.00	66.75	214.90	114.60	422.00
4-APR	113.95	71.75	229.90	123.15	453.65
5-APR	111.00	68.20	218.45	121.55	431.00

That displays the prices of 5 hot scripts of the recent bull-run. It depicts the correlation coefficient (which depicts the harmony or discord in the changes in values of two variables) between various stock prices and the KSE100 index. For example, we seen the KSE 100 index and OGDC's price moved in unison 97% of the time.

Article 3: The News March, 31st, 05 Bilal M. Ali

Badla financiers blamed for crisis

The Managing Director of the Karachi Stock Exchange (KSE) Moin Fudda said on Wednesday that the abrupt pullout of the badla financiers from the soaring market was the cardinal reason behind the worst ever crisis to hit the Karachi Stock Exchange (KSE) in its entire history.

Fudda made this statement during a press briefing on Wednesday.

Speculation in the March Futures where the weak holders over-stretched their positions was another reason, followed by greed-based speculative buying in the OGDC.

A total of 991 investors sold 11.6 million OGDC shares to the newly formed consortium of banks led by NIT at a rate of Rs117.50 per share. The OGDC bailout amounted to Rs1.363 billion.

It is pertinent to note that the banks, both the commercial and investment are the biggest badla providers to the stock market, often to the tune of Rs60 billion to Rs100 billion on daily basis.

Media men attending the press conference were of the consensus that the State Bank of Pakistan as a regulator of the banks (money market) failed to prompt the banks to start marketing the Margin Finance to the brokers.

When the badla financiers made a cartel-like exit from the stock market, margin financing was not available to balance the offset of badla. That was why no buyers were available against the sellers.

There would have been no crisis at the exchange had the badla been replaced by margin finance.

During the week (March 14 to 18), prior to the crash, the investment in hedging was thrice the amount of badla.

The average daily investment in futures amounted to Rs78.158 billion, as compared to Rs25.779 billion daily in badla.

The phenomenon depicted that weak position holders were switching to futures trade in the absence of badla, but no regulator, neither the State Bank of Pakistan nor Securities and Exchange Commission of Pakistan took notice of the situation.

At the press briefing, Moin Fudda pointed out that the KSE-100-Index had soared by 25.2 per cent or 2,595 points and the market capitalization by 24.9 per cent or Rs701 billion within a short period of three weeks from February 23 to March 15.

The presentation given by him showed the index at 8180.79-market capitalization at Rs2, 279 billion and PE ratio of 15.01 on February 23.

While on March 15, the market closed at its highest close at 10,303.13 points, market capitalization was at its peak of Rs2, 813 billion and PE ratio at 16.77.

The market crashed and kept on falling until March 28. During just a span of two weeks, the index lost 25.18 per cent or 2,594 points and market capitalization eroded by 24.92 per cent or Rs701.028 billion.

On March 28, the KSE-100 Index stood at 7708.29 points, market capitalization at Rs2, 112 billion, but the PE ratio improved to 12.15.

According to Moin Fudda, the KSE was able to convince five clearing banks to provide margin financing to the tune of Rs13 billion for shares of various companies and Rs6 billion for injection into CoT.

The preferred rate for margin finance was above 30 per cent and the banks were Muslim Commercial Bank, Bank Al-Habib, Metropolitan Bank, KASB and Bank AlFalah.

"To bail out OGDC, a consortium led by NIT, including investment and commercial banks along with top five brokers of the exchange, came up to the rescue," said Moin Fudda, adding that the consortium was not formed by the KSE.

However, he refused to make public the names of participants in the consortium.
Moin Fudda describing the outcome of a late night meeting at the Governor House with Prime Minister Shaukat Aziz said:

"The PM has asked the SECP to fully investigate the crisis and take punitive action against those responsible."

It was further decided to speed up the processing of KSE recommendation on futures contract lying with the SECP for quite a while.

Fudda said the prime minister considered the undue acceleration as one of the reasons for collapse in the market.

According to him, Shaukat Aziz emphasized on the need to educate investors as well as brokers against future, derivatives, hedging and other intricacies of stock trade.
Hanif Jakhura, CEO Central Depository Company, announced on the occasion that the March 30 settlement went smoothly.

The CDC, including the settlement of March Futures on Wednesday processed a total of Rs13.3 billion.

STATEMENTS BY OFFICIALS

Dr Ashfaque H. Khan

Strong foreign exchange reserves, inflow of remittances around $4 billion a year, increase in foreign investment, tax revenue, boom in real estate and rapid growth in the KSE- index have led to increase in the stock market trading activity, value of blue chips, he said. **Wednesday, March 16.**KSE moving towards 10,000 mark, says Dr Ashfaque……..Dr Ashfaque H. Khan Economic Adviser to Finance Ministry said that the Karachi Stock Exchange (KSE-100) index is fast-moving towards 10,000 mark. He said that as the KSE-100 index has set a new record by exceeding 8,180 points on Wednesday and it further surged to above 8,200 points on Thursday after gaining 72 points, the stock market analysts are now seeing the new index of KSE-100 at 10,000 points. He, however, said that it would be difficult to guess as to how much time the KSE would take to hit the new high mark of 10,000, but the stock market investors are sure that the sentiment of the market would further remain bullish and the equities would further gain in the days to come. **Friday, February 25, 2005,**

DAILY TIMES

PTCL share fairly valued at $2: PTA chief

By Hamid Waleed

LAHORE: Chairman Pakistan Telecommunication Authority (PTA) Shehzada Alam Malik has endorsed the speculative share price of $2 a Pakistan Telecommunication Ltd. share as fair reference price for the strategic buyer of the company. Reply the volleys questions at Lahore Chamber of Commerce & Industry (LCCI) the other day share, the chairman PTA vouched for it saying itcould be an easy target to be achieved by the PTCL because of a healthy financial records with good revenue streams, excellent developmental projects and possibility of massive increase in the tele-density and a greater network utilization.He was pointed out about the latest upsurge in the PTCL share price in the stock market amid rumors of 2 dollars a share as a reference price for the strategic investor of PTCL. When asked about the possibility of any backlash in price, surging on the basis of rumors, the Chairman PTA said he does not see any backlash in the PTCL upward move. “$2 a share as a reference price for the strategic investor of PTCL is quite reasonable,” he said.

STATEMENTS BY BROKERS AND OTHERS

03 January 2005

One of the most powerful stock brokers, Aqeel Karim Dhedhi, declared on a recent TV talk show that there were investors who had had the wisdom and good luck to make gains of as much as an incredible 1,200 per cent!

Local mutual fund industry is growing rapidly and fund managers say that there cent indications are that more foreign fund managers are looking at Pakistan(possibly since asset allocation is done for South Asia as a whole, and India is marked "Overweight").

Tuesday, February 01, 2005

"We expect that market will regain the momentum shortly as the fundamentals look sound, said Rana Ejaz, settlement manager at Eastern Capital Limited."(Daily Times: Correspondent)

Wednesday, February 02, 2005

"The upward movement is likely to continue tomorrow, Ahmad Nabeel, Head of Operations, Invest and Finance Securities said. However, he said, the market might experience roller-coaster movement after a couple of days" (Observer:Correspondent)

"The market has apparently reached the point of no return aided by the general support, higher corporate announcements and an attractive bait of privatization, a leading analyst said. Only some big event at the political or corporate front could reverse its current stance. Much has changed since the market embarked upon its new journey to surpass all its previous records and the retreat could well mean massive losses for the leading participants, he said." (Dawn:Correspondent)

Thursday, February 03, 2005

“Javed Iqbal, Chief executive Javed Iqbal Securities predicted that the market might touch 9000 points level by the end of the year.” (B.Recorder:Correspondent) A report in Dawn predicted that according to leading analysts the market would breach the barrier of 7000 points.

Friday, February 04, 2005

“Mirza Ijaz Ullah BAig, director, Capital Vision Securities Ltd said about futurescenario of the market that it is brisk as economic outlook is positive and stable.He also pointed out that there are not even distant chances for reversal of the (upward) trend.” (B.Recorder: Correspondent)

Saturday, February 05, 2005

Dawn reported that according to a leading analyst “the current run-up of the Market is not overdone. The index is sure to resume its forward march beyond the index level of 7000 points possibly by the next week” (Correspondent)

Sunday, February 06, 2005

Daily Times reported that according to brokers the market is likely to continue to be bullish because most of the blue chip companies are expected to post healthy results and that the long-term trend of the market is bullish, unless some major incident happens to stop the index’s upward movement. It also reported that according to market experts, the market participants are now seeing the market touch the 10,000 mark in the medium term, due to the positive economic outlook.

Tuesday, February 08, 2005

“Dr. Shahid Zia, head of research at Switch Securities Ltd said that he did not see any chance to stop bull-run in the near future. Apart from presence of big players and institutional buyers, general public interest is overwhelming, which has created the buying euphoria in the market.” (B.Recorder)

Friday, February 11, 2005

Yaseen Lakhani, the President of the Karachi Stock Exchange (KSE) said that the ongoing bullish trend at the stock market reflected " there is no chance of a big retreat from the current all-time higher levels, both in terms of index level and price flare-up, as best is still to come for the both," brokers said.

Monday, February 14, 2005

Dawn reported that according to leading analysts it was pretty difficult to predict as to where the current buying euphoria would take a technical breather, there however was a loud whispering that investors will hold on their positions until all the leading banks were out of their dividends.

Wednesday, February 16, 2005

The investors continue to take new positions; the overall sentiments are still in favor of the bulls, Sajjid Bhanji analyst of Arif Habib Securities (Daily Times)

Tuesday, February 22, 2005

A former chairman Arif Habib also said that foreign investment in stock market has been on the rise "because of the market's continued good performance and improvement in Pakistan's economic fundamentals." Both Mr Lakhani and Mr Habib said that "better future prospects" are encouraging foreign investors,including those from America, to invest more in Pakistani stocks.(Dawn)

3-2 Foreign Literature

Published in India http://srirangan.net/india-defence/

Article #1:

Karachi Stock Exchange, Heavy Explosion of market.

The Managing Director of Karachi Stock Exchange Mr. Fida Hussain and other top officials of KSE and Securities and Exchange Commission of Pakistan (SECP) are frequently drum-beating about the productivity and accomplishments of Karachi Stock Exchange and most recently stated that, KSE is One of the Ten best Stock Markets in the world.

Hadn't that been more appropriate and virtuous if, they would have also told the people that, Karachi Stock Exchange is the only Stock Market in the world which does business without any principle, moral values and international set standards. There is no Stock Market in the world whose stocks goes up and slides down without the company's worth, merits and demerits. But KSE's everyday index fluctuates 99% on the betting and gambling system and there is no rule in gambling, except the luck and as long as the pocket is warm.

In last 2 years, I have written several articles, notes and letters in the Pakistani and foreign newspapers and officials and international institutions including, the IMF and the World Bank about the shenanigan and the fake rising of the KSE market which has gained almost 7000 points in 2 years. In January 1999 KSE's 100 index was 900 with Rs. 266 Billion capitalization. In January 2002, the 100 index was1400 points with Rs. 320 Billion capitalization. In January 2003, the 100 index was 2800 with 643 Billion capitalizations. In January 2004, the 100 index was 4500 with 984 Billion capitalization and today the 100 index is 9600 points with 2633 Billion capitalization. You can clearly see the jumps and gaps between the indexes and capitalizations. The entire KSE situation is like as the government prints Billions of Rupees currency without the backing of sufficient solid country reserves and throw it in the market for circulation. That would ultimately create inflation and prices would go up of the commodities because of the easy reach of money.

If you give a quick look to the world Stock Markets like, New York, Dow Jones, Toronto, Tokyo, London, Bombay..........you will find that, even after 100 and 150 years of existence, these markets did not climb as KSE did 7000 points in 2 years. Dow Jones is around 11000, NYSE is under 6000, Toronto 10000 and Bombay 6700 points.

This is a recognized rule besides common sense that every single share in the stock market goes up and down on the basis of the company's market value, its quarterly-yearly balance sheet, declaration of dividends, bonus shares, company's financial position (assets, liabilities, liquidation value), market rating and overall performance. Let me quote here few examples of a set standard of stock business for a quick reminder:
NORTEL Telecom is Canada's largest and world's second largest Tele-Communication equipment producer. Three years back, it's shares were trading at $130.00 per share. The company declared a net loss of $6.00 Billion and the investors also found out that, the company does not have sufficient balance to run the business and owes billions of Dollars to the Creditors. At that time, NORTEL was employing 90000 workers. In three years NORTEL laid off 60000 of it's total work force and still the company is in hot waters and could not stand stable. The Nortel share dropped from $130.00 to $3.00 per share and the share is still trading under $5.00. Same way, Enron and Eatons of Canada went bankrupt.

If you give a look to the KSE, 3 years back, the Pakistan Refinery share was trading for Rs. 27.00 and today it is trading at Rs.300.00? If President Musharraf falls down today, tomorrow, the same stock will slide down to Rs. 27.00. Three weeks back Nishat Mills (NML)shares were trading Rs. 115.00 and the company in it's quarterly board meeting did not declare any bonus, divided or Right share so, the NML stocks dropped down to Rs. 90.00. But just after 3 days, it started going up and today again the NML stocks is Rs. 118.00. You can see the drop down and up without any logic and rule and it only happens on the behest of the profiteers of the big investors.

Now some naive folks would ask, "than why the stocks fluctuate and why this volatility"? The answer is very simple that, the giant investors play with the index to make profits, regardless of company's financial position and credibility. I can bet you, in today's market, the small investors in Pakistan have been eliminated and only popes and a small number of middle investors are left. Even if few small and middle investors are left and have some investments, my advice to them is to sell their stocks instead of holding for future greed. It appears, the current target of KSE giant investors and the bureaucracy of KSE & SECP is to hit 10000 index and than keep the index stable fabricated by playing few hundreds points up and down every day.

Let me remind the investors and the general public that these 10000 KSE points are in fact, 10000 fire-points of the bomb the investors are sitting on. I can challenge that, the KSE has no further room to grow even if the gamblers try to manipulate the numbers. Any small incidence, like a bomb blast (God forbid) would sharply react the market eating 500-700 points. Any bigger mishap like, religious violence or political figure elimination (God forbid) could bring the market down by 1000-1200 points. In the case, if some thing bigger happens which causes the exit of President Musharraf would CRASH the market with 3000-4000 points in 8-10 weeks and if the political uncertainty continues even after the new leadership, the 100 index could slip back to 3000-4000 from 10000 points of today. Keep in mind, the religious parties support to Osama extremists, protests and demonstrations by political parities in order to perpetuate their point of view.

By analyzing the above scenario, I do not mean that President Musharraf is a mighty man and is doing fantastic for the country, that's why business is booming and investors have emptied their bank balances to invest in the stocks. On the contrary, the situation is, in the current circumstance, when America, through it's allies(including Pakistan) has almost castigated the fundamentalists and Islamic extremists globally. Even in Pakistan, the religious parties have adopted the policy of "watch and see' and are using their utmost 'shock observers' to avoid any confrontation with the government besides the fact that, they have many disagreements and reservations over several issues with the government. The religious parties know that, while there is a fire all over, it is not advisable for them to protest on the road, in the assemblies or to lauch an ambush of any kind. On the other hand, Nawaz Shareef is out of the scene for another 5-6 years. Ms. Benazir Bhutto and Mr. Asif Ali Zardari are struggling to end their 8 years long displacement from the politics and the soil. In a most recent statement, Ms. Bhutto indicated that she might retire from the politics making a way for Mr. Zardari to take her place.

So it's not President Musharraf but the mother nature who is helping him. If you give a quick look, in last 5 1/2 years President Musharraf has done nothing extraordinary or of superb everlasting nature for the country and it's people. Everything that is visible is like a bubble and fake and after blowing up nothing remains. With the exit of President Musharraf, hollow and empty business, calm and peaceful atmosphere would also disappear and the people would have to start from the scratch once again!

The word is 'crash' **(End March Review)**

Source: Investor's Business and Financial Journal (International The News)

http://www.jang.com.pk/thenews/investors/apr2005/mktre.htm

Article #2:

March was a record breaking month in the history of Karachi Stock Exchange (KSE) in many counts, where the KSE-100 index manifested huge unprecedented boom during the first half of the month followed by the biggest crash in its history. The stock market was dictated by and large by speculative elements during the month that powered the index to rise from 8,260 points as at the end of February to cross the magical figure of 10,000 points on March 14, 2005.

The index made its highest ever end of day record of 10,303.13 points the next day with an intra day all time high of 10,509 points on March 16th, 2005. However that same day the market showed the first sign of the much awaited bubble burst as the index closed on 10,077.89 points. This was the beginning of the market crash across the board that persisted in the market till the end of the month and deeply injured the sentiments in the market as well as investors confidence. The KSE-index as at the close of trading day of March 31, 2005 had fallen drastically to 7,770.33 points. Thus, overall, the KSE-100 index during the month of March shed 489.73 points from last month, a month on month change of -5.90%.

In the month of March 2005, on an average, 510.24 million shares changed hands daily as against an average daily turnover of 698.15 million shares in February 2005.

Notably, OGDC, with a 23% weightage in the KSE-100 Index, was the major target of buyers as the investors realized that this stock (along with PTCL) alone can take the index to any height that can be envisioned. Thus during the first half of the month, most of the time there was upper lock on OGDC and PTCL's stock prices. As a result, the KSE-100 index crossed the 9,000 and then 10,000 level in unbelievably quick time.

However, the market became directionless once it achieved the 10,000 points mark and with that inflated levels achieved in such a quick time, the overdue correction in the market had to come. However, not only the depression that commenced afterwards was more intense than the boom in terms of change in KSE-100 index level during the month; what was devastating for stock market investors was the widespread nature of the correction as it crashed the stock prices of almost all the scripts listed in the market, even those whose prices remained largely unaffected during the exceptional appreciation of KSE-100 index.

GAPS TO BE BRIDGED:

The aim of my study is to provide an understanding of the reasons behind the phenomenal fall that was observed in Karachi Stock Exchange (KSE) during March 2005.Thus I will be focusing on factors that will overcome the gaps. The reasons behind the fall that are to be studied in this thesis will help in evaluating what measures need to be taken to eradicate any such future mishap. Why and how the decline came about is another gap that will be filled by this project.

- SECP and the KSE board should work together so that they can well understand each other problems and ultimately members can be well aware of the future regulations and implications which will avoid any sudden rumors and negative news often resulting as sharp declines. For example the introduction of margin financing would require grappling with a certain amount of change that the broker can equip itself with if it's aware of it in advance

- There was a rapid rise in Karachi Stock Exchange (KSE) index that had all the investors flocking towards Karachi Stock Exchange (KSE) in droves without even evaluating the legitimate causes behind the rise. Consequently the decline later sent these same investors in shock as they incurred huge personal losses. Many of such market vary investors are still not aware of the reasons that lead to the rise and caused, in the end, the bubble to burst.

- This report with its presentation of the reasons behind the decline in Karachi Stock Exchange (KSE) will help in developing an understanding of the stability or instability of our market and the prospects of investing in such a risky venture. The information will be helpful to the relatively inexperienced investor so that he may recognize the signs and make informed decisions in future.

- Lastly a listing of the views of the brokers and investors and their suggestions and perceptions about the stock market currently will give SECP and KSE management the impetus to make and/or remake further policies.

AREAS FOR FURTHER STUDY:

The objective of my thesis was to identify the reasons behind the decline recently observed in Karachi Stock Exchange. In the course of writing this thesis I could identify several areas of further research which are as follows:

- .Opportunity to invest in future on a margin of 10%, implementing rules without prior notices, eleventh hour decision and investments, retrieval of information by big brokers through CDC …These all factors are to be taken into consideration for further strengthening the causes behind the crisis.

- This research has identified a need to assess whether the Karachi Stock Exchange (KSE) really is a barometer of economic activity and if so, to what degree? Such a research will identify to what level the fluctuations in volume and value of transactions being done at Karachi Stock Exchange (KSE) are representative of the true economic picture of Pakistan.

- Another area of further research can be a comparison between the rising indexes of Karachi Stock Exchange (KSE) to other northbound stock exchanges in the world with the aim to understand what fundamentals economic activities are behind their rise and what should or should not be the reasons behind the rise in Karachi Stock Exchange (KSE).

- How risk can be reduced in the Karachi Stock Exchange (KSE) market as well as other avenues that an investor can adopt for better safeguard of his hard earned money can be evaluated.

CHAPTER 4: PRESENTATION ANALYSIS

During the course of this research I took informal interviews of the top leading brokers and investors respectively. With the interview data I also did further research for the understanding of casually mentioned phenomena's by the respondents. The accumulation of my primary interview based research is as follows.

4-1 REASONS BEHIND THE DECLINE:

Background:

The Karachi Stock Exchange (KSE) market fell on 17th March 2005, after closing on the rise of 10303 points on March 16th. After about three or for weeks of unexplained rapid rise, the share index suddenly plunged. Some shares had gone up within this short span by over 200 per cent! There was an 8% fall that wiped out around 200 billion in local currency in market capitalization. This fall though expected still shocked investors. Especially small scale ones who had in many instances put in all of their hard earned money into the stock exchange. As the downslide started, billions of rupees of the smaller, the inexperienced, the unwary or the greedy vanished into thin air. The result was that on 25th and 26th March, many of these latter 'investors' went on the rampage, damaging the property of the stock exchange and demanding probe. The probe was instituted.

Interviews were taken to understand what lead to such a fall in the prices in such a sudden manner and the following views were accumulated:

Reasons:

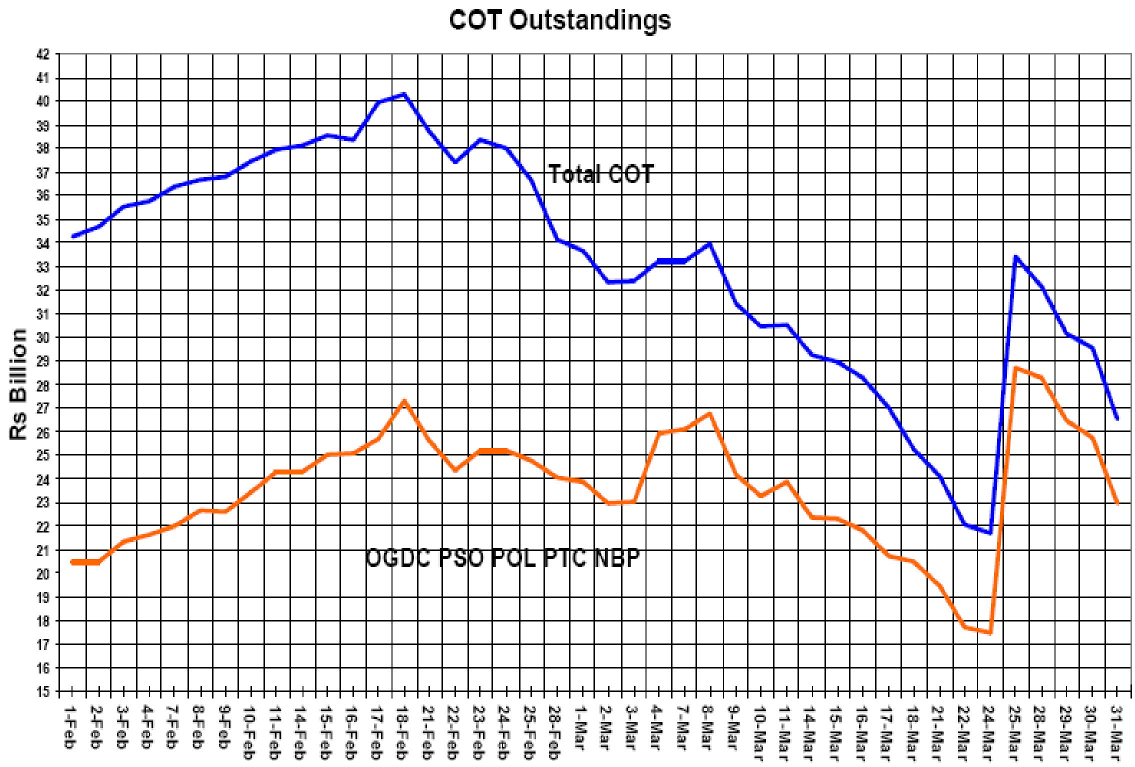
Following list of reasons were accumulated from the respondents:

1. More sentiments than fundamentals:

The investors and brokers interviewed all asserted that the price shares were being bought at was not representative of their true worth and value in terms of earning capacity of the stocks, the dividend payout ratio corresponding to the prevalent interest rates and the future outlook of the company floating the stocks. More and more investors were just buying the stocks because they foresaw it as being in demand and hence of a rising value. In such a sentimentalist scenario it was easy for the market to be manipulated by some big players who could cheat the small and the unwary investors of their savings. Mere rumors of economic or political doom were enough to bring about a downslide and dupe small investors in such markets.

2. Highly Leveraged and Overbought Market:

There is a traditional valuation benchmark of price called the earnings ratio which defines the earning capacity of a particular share being bought. The safest investment is done on the basis of evaluating the earning ratios of the stocks and then investing according to the perceived profitability. According to the brokers and investors interviewed, in the case of Karachi Stock Exchange (KSE), quite another phenomenon was taking place. Stocks of leading shares like OGDC, PPL were bought on spot by wealthy speculators and in keeping with a profit margin, they were sold on the basis of a future contract (called selling futures) Selling futures means that the buyer and seller agree on a mutual price in the present that will be paid on a certain time period in the future. The price set today will be required to be paid no matter what the ongoing future market price of the share is. Hence the shares like Oil & Gas Company Limited (OGDC) and PPL enabled hedging opportunity that carried out a yield of 45% to 75% per annum interest. Hence our market was largely overbought and highly leveraged. Also the daily price volitality reached 2.5% to 3% in these stocks which pointed to a major correction. And the time of that correction came inevitably in mid march where a huge descend in the stock prices was observed.



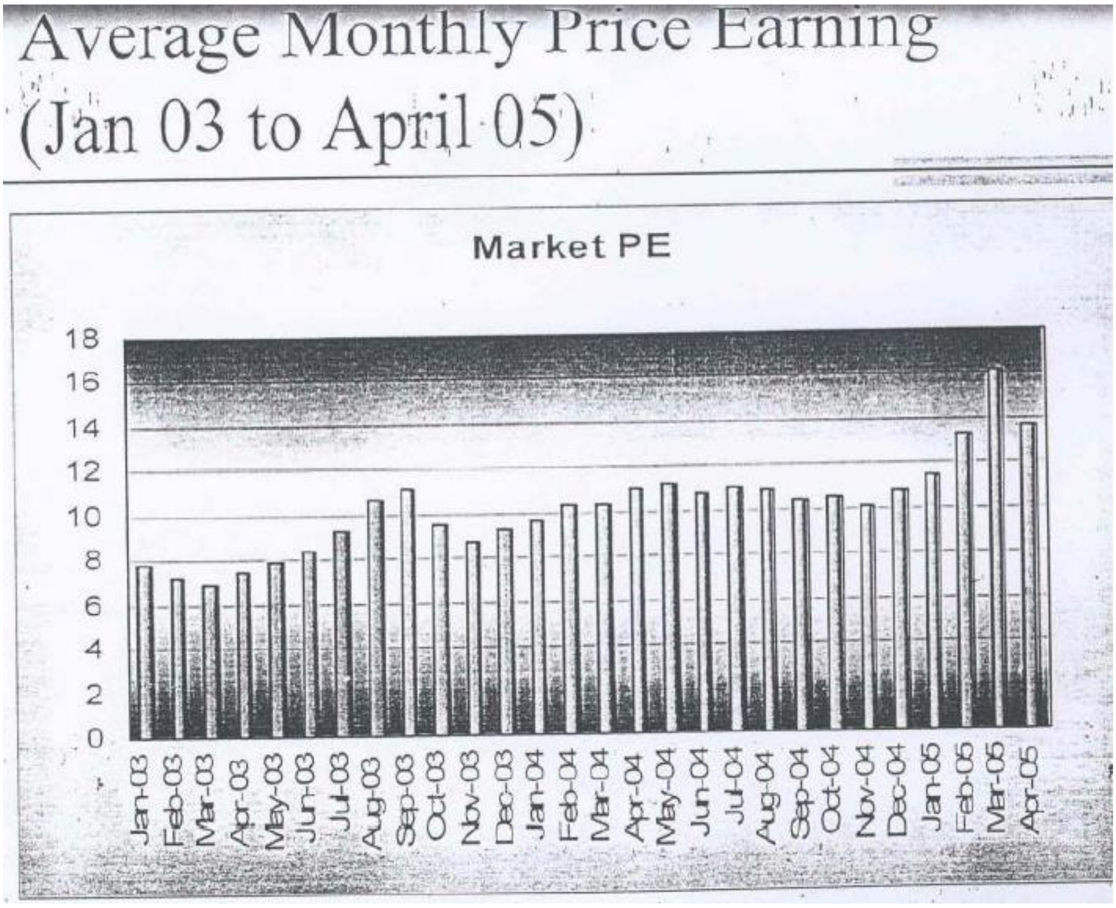
It can be proved from the graph that how COT directing the traders to highly leveraged positions. BESIDES reduction in badla can also be seen which is the one of the most important factors behind the crisis.

3. Lack of Fundamentals backing the Stock Exchange Boom:

There was some disagreement among the respondents with the claims of the government that the stock market boom was because of the strength of Pakistan's economy. No real economic growth or industrial growth could effectively explain such a rise. The reluctance of investors to engage in productive activity, or set up major industry and the banks having problems in lending despite holding liquidity are the true indicators of lack of economic activity.

The money that flowed into the country failed to translate into new productive schemes. It seems to have gone mostly into speculation. It was more the case of inexperienced buyers buying on whims by observing a stock rising in price without first carefully evaluating its true net worth.

The decline of Karachi Stock Exchange (KSE) proved the point. No major economic happening had occurred that would cause the decline. But since the KSE index was based on other factors, an unchanging economy was not an indicator towards its eventual fall.



IT can be seen from the graph that the P>E ratio was the highest during March in which there were no economical or fundamental reasons for crisis hence it proved that the market had no economical effects.

4. BIG GIANT BROKERS FOOLING THE PUBLIC

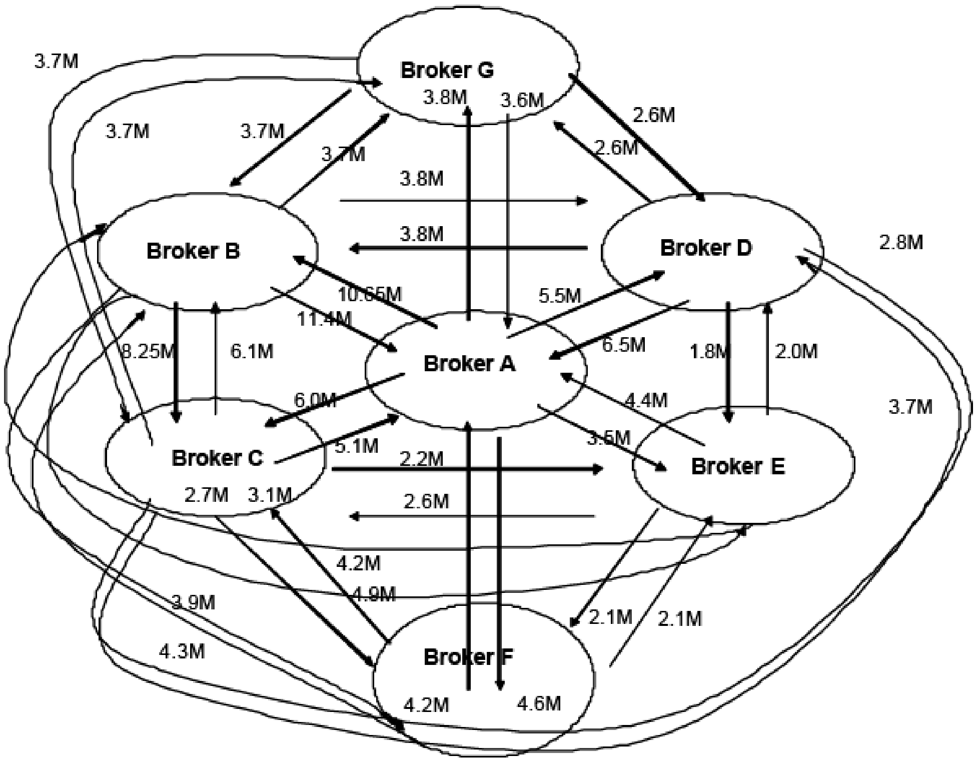
NO doubt the market gamblers were equally responsible behind the crisis.. they used to spread romors for instant" like OGDC currently traded at 84seems to be at 80 at closing today" this way they used to fool public and gather as much shares between their selected price ranges

Another big infact weird way of trading also helped build the market sentiment where Big brokers in order to drive the market bought huge quantities of shares sold from their very own KATS.

Besides buying and selling in "U" and many other tricks fooled normal traders through which they were not able to determine the quantities bought and sold, plus squaring positions privately to offset trades and private transaction.

These all unethical acts were ultimately some of the reasons behind the crisis.

that brokers often closed out any balance left from these trades with "off-market difference trades".



Broker A: Moosani Securities; Broker B: Akeel Karim Dhedhi Securities; Broker C Worldwide Securities; Broker D: A.H.K.D Securities; Broker E: Mr. Munir Ahmed Khanani; Broker F: Motiwala Securities; Broker G: Mr. Muhammad Anas Kapadia

5. REDUCTION IN Carry Over transactions or Badla Financing:

According to the broker, Mr. AASIF MEMON (WORLD WIDE SECURITIES), future trading was of the main cause behind the decline. Traders enjoyed huge leverage opportunity by depositing just 10% which lead to a solid bullish trend (supported by a typical bullish news and rumors) which ultimately resulted as a huge difference between the ready and future prices allowing Lucrative opportunities to hedge. Besides lower interest rates gave a boost to investments in future trade compelling investors of Badla to invest in ready future to seek higher returns. This way investment in badla was reduced and circumstances forced traders to square their positions. As the time of payment approached it caused panic in the market that lead to people offloading their stocks and lead to a decline in the market.

STATISCAL FINDINGS TO CALIM PERSONALITIES BEHIND THE CRISIS WHO BROKE THE MARKET SENTIMENT COMPLETELY BY REDUCING THEIR INVESMENT IN BADLA.

MAJOR BROKERS FINANCING BADLA as on 28th FEB 2005

Badla Providers 28th February 2005	Amount (Rs. Million)
Arif Habib Securities	4,622
Aqeel Karim Dhedi[5]	4,233
Atlas Invest	2,228
DJM Sec. Ltd	1,815
Orix Bank Inv	1,731
KASB Securities	1,714
Darson Ltd.	1,534
First Capital Equities	1,468
Motiwala Securities	1,030
S.C. Securities	995
Jahangir Siddiqui	917
Akberally Cassim	849
Mohammed Hussain	759
First Equity	693

The major net sellers (brokers) in the March contract and the major net buyers (brokers) in the March contract (many of whom were not potential defaulters) were the following:

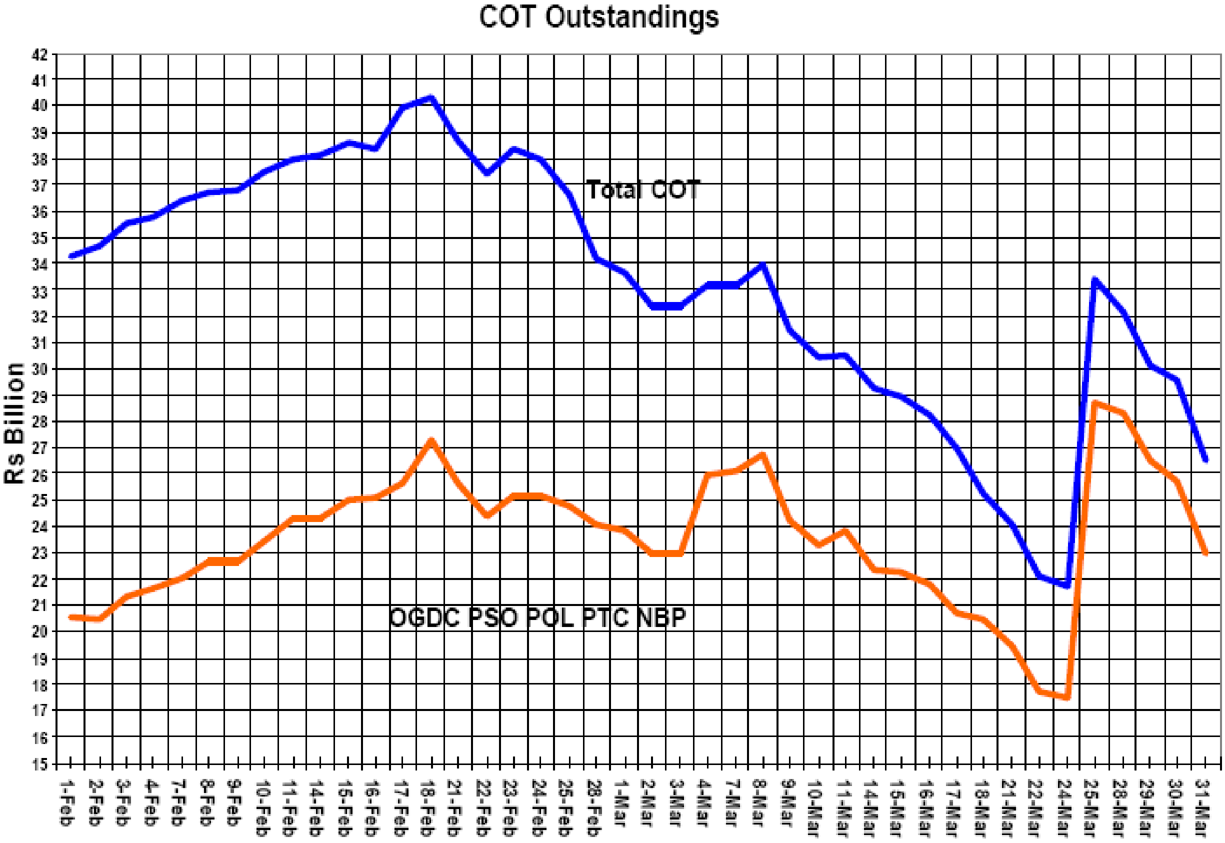
Largest Net Buyers	**Largest Net Sellers**
Orix Investment Bank	Arif Habib Securiites
Motiwala Securities	Aqeel Karim Dhedhi Securiities
Fawad Yusuf Securities	Elixir Securities
M.R.A. Securities (Pvt.) Limited	BMA Capital Management
Muhammad Junaid Memon	Invest Capital & Sec.
First National Equities Limited	Muhammad Nadeem Abdul Ghaffar
Moosani Securities	Noman Abid & Co.
Yaqoob Habib	Taurus Securities
Zillion Capital Securities	Escorts Investment Bank Limited
Pak Meezan Securities	First Capital Equities
D.J.M. Securities	FDM Capital Sec
SAZ Capital Securities (Pvt.) Ltd.	Firozuddin A. Cassim
First Equity Modaraba	A. Jabbar H. Ali Mohammed Khanani
Iqbal Usman Kodvavi	Sherman Securities
HH Misbah Securities	Invisor Securities

Date	NBP Quanity	NBP Value	OGDC Quan	OGDC Value	POL Quanity	POL Value	PSO Quanity	PSO Value	PTC Quanity	PTC Value	SUB-Total Qu	Sub-Total Value
1/02/2005	19,625,500	1,982,462,650	52,876,200	4,311,880,115	17,001,700	4,212,926,025	17,961,300	5,689,237,785	69,586,500	4,324,188,300	177,051,200	20,520,694,875
2/02/2005	19,141,000	1,927,046,895	54,479,500	4,519,004,920	17,087,000	4,268,152,980	17,671,200	5,619,752,840	66,218,500	4,155,638,850	174,597,200	20,489,596,485
3/02/2005	22,887,000	2,332,465,465	56,364,700	4,726,026,275	17,523,900	4,385,736,425	17,971,900	5,735,534,960	66,193,000	4,156,993,100	180,940,500	21,336,756,225
4/02/2005	25,615,400	2,636,997,670	56,490,100	4,731,586,910	18,005,100	4,508,389,685	18,146,000	5,813,777,540	63,189,000	3,946,500,200	181,445,600	21,637,252,005
7/02/2005	24,005,000	2,484,736,805	52,896,400	4,548,352,615	17,668,600	4,467,850,460	18,391,900	5,941,866,595	72,014,500	4,582,034,450	184,976,400	22,024,840,925
8/02/2005	23,092,700	2,406,334,490	53,811,600	4,685,029,655	17,665,400	4,474,804,535	18,262,600	6,019,315,595	77,950,500	5,064,098,450	190,782,800	22,649,582,725
9/02/2005	22,814,500	2,387,358,975	54,664,700	4,749,816,120	17,914,300	4,512,845,495	17,959,500	6,097,035,680	76,483,000	4,892,302,300	189,836,000	22,639,358,570
10/02/2005	23,220,400	2,470,110,140	60,197,600	5,278,912,405	20,209,300	5,221,704,840	16,879,500	5,711,258,910	74,921,000	4,799,440,225	195,427,800	23,481,426,520
11/02/2005	25,315,300	2,747,142,590	57,217,200	5,044,526,040	22,552,600	6,096,466,010	16,010,000	5,463,595,915	77,277,000	4,960,458,150	198,372,100	24,312,188,705
14/02/2005	25,782,300	2,858,426,750	58,433,100	5,244,431,965	22,461,700	6,054,236,835	15,666,800	5,350,285,325	74,425,500	4,776,910,275	196,769,400	24,284,291,150
15/02/2005	24,728,900	2,743,722,300	57,222,300	5,125,578,740	21,649,000	5,913,614,025	16,844,600	6,030,379,840	79,632,000	5,212,137,800	200,076,800	25,025,432,705
16/02/2005	25,567,900	2,922,965,165	56,682,200	5,196,736,555	20,434,100	5,670,325,785	15,681,300	5,659,718,290	84,040,500	5,626,052,100	202,406,000	25,075,797,895
17/02/2005	24,538,400	2,829,602,975	55,454,300	5,168,422,265	21,813,700	6,347,635,845	15,709,800	5,724,023,065	84,049,500	5,612,084,725	201,565,700	25,681,768,875
18/02/2005	28,423,400	3,365,188,070	55,346,000	5,363,385,880	20,475,000	5,954,414,435	17,272,600	6,615,274,660	88,340,000	6,006,198,425	209,857,000	27,304,461,470
21/02/2005	28,622,100	3,467,775,585	53,382,900	5,255,949,800	19,392,600	5,634,516,875	15,134,700	5,871,284,915	79,263,500	5,421,819,125	195,795,800	25,651,346,300
22/02/2005	26,544,900	3,321,096,535	49,525,100	4,899,682,275	18,618,700	5,463,138,655	14,681,100	5,742,019,490	72,664,500	4,929,677,000	182,034,300	24,355,613,955
23/02/2005	25,767,100	3,350,729,295	47,175,100	4,920,377,285	19,767,100	6,116,270,375	14,565,500	5,813,194,190	72,454,500	4,992,751,100	179,729,300	25,193,322,245
24/02/2005	26,127,400	3,409,577,510	47,543,100	5,244,880,475	19,766,300	6,193,055,525	14,132,100	5,645,850,025	68,482,500	4,686,137,950	176,051,400	25,179,501,485
25/02/2005	25,611,600	3,348,265,940	48,572,000	5,502,718,195	19,276,100	6,040,155,545	12,650,700	5,050,094,815	70,771,000	4,828,515,175	176,881,400	24,769,749,670
28/02/2005	26,147,900	3,498,483,595	45,312,900	5,141,596,120	18,219,400	5,739,840,190	12,895,400	5,235,167,775	65,213,000	4,446,465,450	167,788,600	24,061,553,130
1/03/2005	25,778,100	3,478,450,460	45,114,000	5,257,564,715	17,568,500	5,592,859,390	12,220,600	5,090,892,185	64,795,000	4,444,317,250	165,476,200	23,864,084,000
2/03/2005	23,986,200	3,233,415,685	39,502,500	4,561,518,245	18,036,500	5,678,623,270	12,473,700	5,131,538,225	63,414,500	4,336,704,600	157,413,400	22,941,800,025
3/03/2005	21,819,000	3,020,772,220	38,544,900	4,671,308,260	17,193,100	5,580,370,670	12,695,900	5,311,726,775	63,647,000	4,431,912,300	153,899,900	23,016,090,225
4/03/2005	22,217,400	3,136,154,140	43,165,600	5,508,897,550	17,880,000	5,880,449,895	14,626,500	6,243,880,005	70,467,500	5,177,283,575	168,357,000	25,946,665,165
7/03/2005	21,679,300	3,062,015,250	44,287,800	5,788,533,695	17,361,000	5,710,832,280	15,313,800	6,606,948,125	64,639,000	4,939,048,150	163,280,900	26,107,377,500
8/03/2005	22,402,700	3,245,825,590	43,983,500	6,145,515,100	17,818,100	5,953,979,920	13,856,000	6,310,824,505	63,383,500	5,104,921,475	161,443,800	26,761,066,590
9/03/2005	22,875,700	3,451,944,205	46,836,300	7,017,691,400	17,035,100	5,876,266,725	4,853,000	2,378,455,300	64,335,000	5,470,215,450	155,935,100	24,194,573,080
10/03/2005	22,671,400	3,450,294,785	42,740,900	6,644,855,280	16,054,600	5,572,681,790	4,853,000	2,378,455,300	61,502,000	5,251,178,650	147,821,900	23,297,465,805
11/03/2005	23,486,100	3,599,327,815	42,281,500	6,664,330,635	15,946,300	5,478,395,025	4,853,000	2,378,455,300	66,840,000	5,754,916,525	153,406,900	23,875,425,300
14/03/2005	24,605,200	3,836,420,500	46,144,300	7,713,972,560	16,621,100	5,719,315,180	4,853,000	2,378,455,300	30,818,000	2,716,606,700	123,041,600	22,364,770,240
15/03/2005	24,236,500	3,833,465,140	43,361,200	7,735,067,570	16,305,300	5,631,047,300	4,853,000	2,378,455,300	30,818,000	2,716,606,700	119,574,000	22,294,642,010
16/03/2005	24,350,900	3,863,561,210	40,779,100	7,322,758,665	16,374,500	5,517,825,730	4,853,000	2,378,455,300	30,818,000	2,716,606,700	117,175,500	21,799,207,605
17/03/2005	23,679,900	3,666,102,950	41,562,400	7,393,890,625	16,170,700	5,334,586,575	3,708,700	1,616,807,765	30,818,000	2,716,606,700	115,939,700	20,727,994,615
18/03/2005	23,736,000	3,583,093,670	40,034,200	6,956,823,200	15,592,000	5,085,614,220	4,756,500	2,123,720,200	30,818,000	2,716,606,700	114,936,700	20,465,857,990
21/03/2005	24,703,300	3,642,456,115	36,932,700	6,334,153,670	14,812,000	4,721,524,495	4,564,700	2,032,208,080	30,818,000	2,716,606,700	111,830,700	19,446,949,060
22/03/2005	24,274,100	3,506,813,450	35,418,900	6,009,609,805	14,296,600	4,492,231,570	4,285,100	1,874,544,245	23,806,500	1,803,342,375	102,081,200	17,686,541,445
24/03/2005	23,408,600	3,320,493,755	35,965,600	6,054,164,770	13,711,700	4,249,209,710	4,731,100	2,023,510,125	24,778,000	1,817,644,125	102,595,000	17,465,022,485
25/03/2005	38,610,300	5,006,539,845	42,433,900	6,717,739,015	19,681,500	5,684,257,030	13,393,300	5,306,717,735	85,995,500	5,978,802,750	200,114,500	28,694,056,375
28/03/2005	37,355,500	4,791,134,155	40,313,500	6,348,048,660	19,327,400	5,444,611,445	14,180,900	5,535,697,345	89,798,500	6,171,802,075	200,975,800	28,291,293,680
29/03/2005	29,173,200	3,721,095,595	41,434,900	6,401,477,935	18,439,300	5,078,912,190	13,897,300	5,435,381,345	84,676,000	5,849,524,800	187,620,700	26,486,391,865
30/03/2005	27,496,800	3,521,502,175	36,575,700	5,276,733,980	17,999,400	4,938,419,765	13,641,200	5,501,836,775	91,039,500	6,487,964,750	186,752,600	25,726,457,445
31/03/2005	22,509,900	2,776,201,840	33,631,400	4,479,820,575	17,539,000	4,649,252,105	12,123,500	4,821,186,135	89,335,500	6,261,467,925	175,139,300	22,987,928,580

Statistics showing that how much investment in Badla ultimately resulting to crisis.

Between March 7 and March 15 some Rs 5.7 billion or 17% of overall financing was withdrawn in Badla finance, although scrip prices were increasing and the index was still rising. This reducing Badla level is depicted in the chart below:

Chart 2



There were several members of the Exchange, who had net receivable (net sellers) in the March Futures Contract and also provided COT in the COT extended session of Friday, March 25, 2005 till Sunday, March 27, 2005. The list of some of these members along with their respective quantum in COT and net receivable in March Futures Contract is as under:

COT Financiers and Net Receivers in March Contract

COT Financiers		Total Increase in COT during March 24-25, 2005 (Rs. in million)	Net Sell Position Futures Market (Rs. in million)
Code	Name		
50	Arif Habib	5,474.81	5,909.55
182	Akberally Cassim	632.56	1,608.05
149	Jahangir Siddiqui	154.81	1,008.74
97	Invest Capital	54.84	978.33
125	Bilquis Saleem	416.74	690.05
19	Aqeel Karim	1,239.32	344.60
114	Amin Issa Tai	139.06	344.60
200	Ali Hussain Raja	17.05	207.69
139	Asian Securities	45.72	145.90

6. March Futures Settlement:

In the earlier part of the year 2005 stocks such as NBP, OGDC, BOP, ACBL etcetera were running at Rs.50 or Rs.60. These stocks shooted up when the concept of futures trading was given ending up with these stocks touching Rs.190.00 and Rs.160.00 (NBP/OGDC) by mid March. This climb of 150% to 200% did not indicate a profit of such margins in OGDC and NBP. Also with the fall experienced after mid March there was no losses of 150 or 200% declared by the companies.

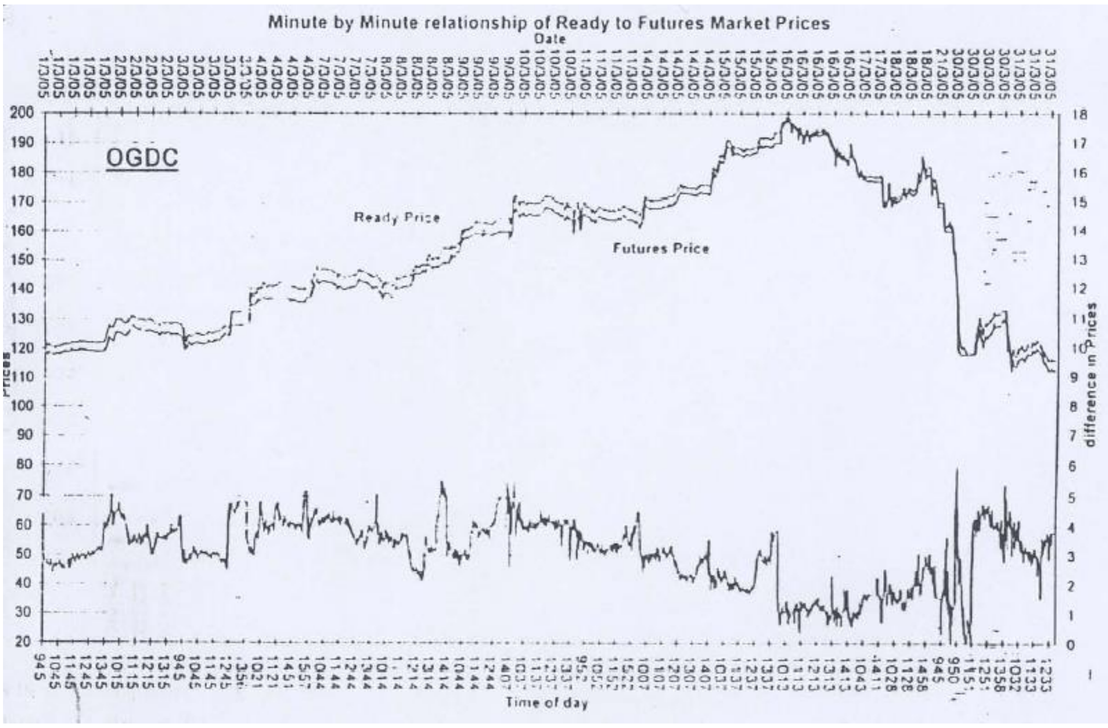
What caused such a rise in the prices and their consecutive fall then? It was pinpointed by the respondents that undue acceleration in futures contracts was one of the main causes of the crisis. Greed element entered the future contracts that had investors using it to buy stocks in droves. As the time of maturity of these contracts approached there was panic in the public to generate the amount of cash they had promised to pay. Hence, the hope that prices would rise further led to high speculation in March futures contract which resulted in an increase in spread between Ready & Futures share buying. Sellers taking part in March contract on their part were carrying hedged positions from Ready Market in order to secure a certain amount of foreseeable return.

There were many weak buyers in March Future Contract who failed to find new buyers to square-up their positions that lead to panic selling and a decline in kse.

It was expected that the March futures settlement will cause huge losses to the investors in the futures market since they won't be able to pay mainly in the shares of Oil & Gas Company Limited (OGDC). The losses were to be borne by the brokerage houses. The hype and rumours added to the tension of the inexperienced investors what lead to the cause of the decline in stock market.

According to the brokers MR BASIT MEMON and Mr.AQEEL KARIM DEHDHI it is the futures contract which is behind the current crises. No step was taken as the gap between the ready and March future contract prices had widened by as much as 30 to 100%!

Graph showing the relationship between the ready and future prices:



As can be readily seen the difference between the future prices to the ready price regularly exceeds RS 2 and was high as Rs 5 well above the so called "fair value"

Price of any share is determined by the following formula

For e.g. to calculate future price of OGDC

$Fv = s\ (1+r-d)$

Fv=OGDC future price
S=OGDC spot mkt rate
r=is the risk less rate of interest over the time period until maturity of the OGDC futures contract
d=is the dividend yield over the time period until maturity of the OGDC futures contract

7. BULLISH ENVIRONMNET

Bullish statements by some high government officials and top brokers focused through media and followed by unachieved privatization announcements heightened unjustified expectations about the entire market which ultimately increased the speculation activity leading to over valued share prices which could no longer resist such steep incline leading to a burst in the index.

8. PANIC BY SECP

The KSE management apparently worried about the possibility of default in a highly leveraged market, called up various brokers and banks to reconfirm that the brokers would be able to honor their obligations in the futures contracts, sending alarming signals to market players.

9. Correlation Effect:

A correlation effect can be seen between the various stock prices and the Karachi Stock Exchange (KSE) index. For example it was seen that the KSE-100 Index and the stock Oil & Gas Company Limited (OGDC) moved in correlation 97% of the time. This was because of the hug weight of Oil & Gas Company Limited (OGDC) stock in the KSE-100 Index. Hence a rise and decline in OGDC had a resulting 97% rise and decline effect on the KSE-100 Index. Other stock prices like PSO, PTC, , POL and NBP showed similar correlations from 95% correlation to 86% correlation. The effect of this was that just these few stocks began accounting for over 95% of daily trade volumes. Such close correlation is unthinkable in exchanges around the world.

Statistical data used to run regression analysis to prove the 5 scripts as the main drivers of the KSE index(see appendix)

RESULT: By running regression formula through software it has been proved that these five main scripts had an effect of more than 75% on the index.

Also the rest of the stocks under effect of the rising KSE-100 Index began displaying correlation in excess of 50%. This made the whole index highly volatile and susceptible. When these stocks declined due to the approach of the futures settlement date, their correlation with the index caused the whole index to dive.

CHAPTER 5: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

1. FINDINGS:

During the course of the interviews conducted I found the following information subjective to my thesis topic which was the reasons behind the decline in Karachi Stock Exchange (KSE)
The Karachi Stock Exchange (KSE) market fell on 17th March 2005, after closing on the rise of 10303 points on March 16th. There was an 8% fall that wiped out around 200 billion in local currency in market capitalization. Interviews were taken to understand what lead to such a fall in the prices in such a sudden manner and the summary of the views is as follows:

- Almost all of the respondents quoted privatization as one of the main reasons for investor interest in stocks resulting in a rapid rise in Karachi Stock Exchange (KSE) index. Official announcements and strong rumors when failed to achieve their target finally resulted as a crash. The privatization program included the public offering of the shares of Government entities such as PPL and PSO. This privatization factor alone is said to have multiplied the number of small investors in equity from half a million to 14 million but as it was on illusory basis it could not sustain the market any further.

- Till October 2004, Karachi Stock Exchange (KSE) only traded in spot or ready market for shares. The other alternative was the liberty of Badla financing or Carry Over Trade (COT). After that in October 2004, KSE was regulated to do 'Futures Trading'. The combination of the COT and the futures trading into 30 days was the main reason for the rapid rise in the stock market. Investors could now buy and sell shares 30 days into the future without putting up 100% cash for their futures investment.

- With the growth of the market a multiplier effect was generated with more and more investors getting interested in an uprising stock exchange. Hence with the leading shares other shares also rose amid briskly traded sessions.

- Rise in real estate prices made it hard for investors to invest in real estate. Also the inflation rate had risen while the interest rates of the banks were not enough to generate a profit for the local investor. Hence many investors shifted towards investing in the stock exchange due to which a rise was observed developing a bubble in the index which finally busted as March crisis.

- The KSE was stated as holding a shallow base with less than a dozen stocks accounting for over 90% of the daily trade. With the approach of the futures settlement date a fall in prices of stocks like PPL, PSO, OGDC etc was observed causing an overall market decline.

- More and more investors were just buying the stocks because they foresaw it as being in demand and hence of a rising value. Such a sentimentalist scenario created a very volatile environment and investigation showed that the market was being manipulated so that a big buyer could set up the small holders in such a way that he could buy shares cheaply from these desperate investors. This resulted in a decline in the Karachi Stock Exchange (KSE) market.

- When the decline of Karachi Stock Exchange (KSE) came about no major economic happening had occurred that would cause the decline. But since the Karachi Stock Exchange (KSE) index was based on other factors, an unchanging economy was not an indicator towards its eventual fall.

- Massive free-float from the carryover market played havoc with the bullish outlook being seen and predicted in the earlier months of the year. As the time of payment approached it caused panic in the market that lead to people offloading their stocks and lead to a decline in the market.

- The futures contract is said to be behind the current crises. No step was taken as the gap between the ready and March future contract prices had widened by as much as 30 to 100%. It was expected that the March futures settlement will cause huge losses to the investors in the futures market since they won't be able to pay mainly in the shares of Oil & Gas Company Limited (OGDC). Strong rumor was floated that the futures contracts for March would not be rolled over into April and that there would be settlement of the contract with delivery this created a further panic and cious.

- A correlation effect can be seen between the various stock prices and the KSE index for example the KSE-100 Index and the stock of OGDC moved in correlation 97% of the time. The rest of the stocks under effect of the rising KSE-100 Index also displayed correlation in excess of 50%. This made the whole index highly volatile and susceptible. When these stocks declined due to the approach of the futures settlement date, their correlation with the index caused the whole index to dive.

- Involvements of big brokers who reduced their investment in badla and paved the market towards bearish trend were responsible for this crisis. It wont be feasible to quote high net worth individuals who through statistics can be perceived as culprits but this for sure that there was some big hands involved behind this crisis which had complete support of internal regulators.

- To great disappointment I must say that KSE was no more than a CASINO, infact it was even worse than a casino because in casino the liability of person is limited but here during crisis traders could even square their positions leading to bankruptcy and failures.

For e.g. a trader who had bought thousand shares of OGDC at 190 RS having 20000 RS as margin would never think that he could loose five times than his margin which has been observed during this crisis when OGDC under lock opened at 106 leading to bankruptcy of traders. In a casino a person is sure regarding his liability but here AT KSE "its proves it worser than a casino"

CONCLUSION:

On the basis of this summary of findings, I can conclude that we had a great opportunity to develop by availing low interest rates and high surplus of money due to 9/11 but to great disappointment we thought for the short term huge profits and capital gains rather than investing in industries etc to fundamentally strengthen the economy.

Our leaders were saying that stock exchange is the leading indicator of the boosting economy but what happened? A rapid rise that extended to 10303 points finally ended as a crisis. The rise had more of a sentimentalist value than a fundamental backing. In the words of Mr Jawwed Hussain, the joint registrar of companies, 'It was a bubble that had to burst.' And it did. On 17th March the rapidly rising stock market experienced a shocking crash that spelled huge losses for the millions of small investors who had risked dappling in the stock market. A quiet spectator of before, the regulator and the Karachi Stock Exchange (KSE) management woke up too late to enforce preventive measures.

To great disappointment I must say that KSE was no more than a CASINO, infact it was even worse than a casino because in casino the liability of person is limited but here during crisis traders could even square their positions leading to bankruptcy and failures. This is the reason why foreign investors are not willing to participate in our market because we don't rely on fundamentals and this is all due to our fault (the traders, government and the regulators).Regulators play a very fundamental role in our market and according to me these regulators are the main culprits behind the crisis because they have shake hands with market regulators ultimately creating a monopoly in market. When the market was in bullish trend the regulators set an easy flow of rules and procedures to boost and support the market but as market started declining the regulators acted as a policeman imposing more and more implications and rules causing a further decline in market." What could one do if the gate keeper is self is a thief?"

After the unfortunate decline witnessed in mid March, it is imperative that the investors preserve and retain strong positive economic fundamentals intact. This can only be done by taking clear cut steps on strict risk management issues concerning future liquidity and price sensitivity issues. At this point, investors must heighten concern on speculative moves, and the regulatory authority as well as the management of KSE should insure reforms that limit such moves. Opportunity to invest in future on a margin of 10%, implementing rules without prior notices, eleventh hour decision and investments, retrieval of information by big brokers through CDC …These all factors are also to be taken into consideration for further avoid such a catastrophic feature of the past to re-emerge.

Surely the government is now taking some actions to make the regulatory body more effective and trying to make this system better but no one knows that will happen ? Besides as far as investors confidence rebuilding is concerned it will take a lot of time to restore, even if the confidence of investors is restored they will never forget such a crisis in their whole life which had washed away many traders with their belongings and assets leading to a miserable life. I would end my conclusion by a famous memon quote

"KSE is like the of your daughter in law, you can only give to your daughter but not take anything from her"

2. RECOMMENDATIONS:

By holding discussions with my finance teachers and my advisor I also came to the understanding of having the following recommendations:

2.1. Transactions on the Basis of Price Earnings ratio:

A more stabilized system of transactions should be endeavored to be adopted by the investors and the advice of the concerned brokers should be more on the basis of companies' quarterly, monthly and annual results like, profitability or loss, total assets, debts, revenues/sales, management expanses, declaring of dividends, bonuses, publishing of balance sheet etcetera. These set standards ensure that the stock prices do not plunge or surge. The SEC and KSE should monitor those brokers who influence the investors into buying because of created hype.

2.2. Education of Local Investor:

Our local investor should be educated in which the stock brokers would play the most active role. It should be made mandatory for the brokers to clarify the full consequences of any risk taking being done and the possible more stable alternatives.

2.3. Education of Officials and Professional Competence:

Before SECP can promote this capital market innovation and growth it needs to evaluate its own regulations in terms of technical education and professional competence. Professional standards at various levels of the exchange need to be enforced by the regulator as well as an evaluation done of its own staff. The staff can be brought to par taking appropriate courses in local universities or holding seminars and workshops.

For e.g statements showing by SECP officials where they have used word arbritiage in place of hedge.

A scanned statement of article

But if the futures price is above the futures fair value, arbitrageurs sell OGDC futures and buy the OGDC shares, theoretically driving the price of the OGDC futures down and the price of OGDC shares up.

2.4. Introducing Complementary Derivative Markets:

Another need of the times is to switch from the total and utter dependence on KSE by introducing two complimentary derivative markets. These will be the commodity exchanges and the options exchanges which relieve the pressure on stock exchanges and give a more realistic overall measure of our economy. The Securities and Exchange Commission of Pakistan (SECP) did license a commodity exchange National Commodity Exchange Limited (NCEL) but still to great disappointment its in progress due to political factors.. On the other hand, a successful implementation of such additional markets can be seen in our neighboring country India. India has introduced several Futures and Optional Exchanges such as National Commodity and Derivatives Exchange (NCDEX).

2.5. Inflation rate consideration:

Currently banks are offering less than one percent on savings account. Combined with the weight of the inflation rate prevalent in our country, the best alternative the small investors see is to invest in the stock exchange, whether or not he is aware of the gaming rules. Thus a lot of inexperienced investors have become stock market dependent. An effort should be made to address this issue and unable safe investment in banks by introducing rates that are close to the current rate of inflation, so that the investor does not mind investing in it.

2.6. Extension of Futures:

The SECP should enforce an extension of the one month futures at kse. It should regulate the existing stock exchanges into offering longer maturity futures. Such as of 3, 6 and 9 months on heavily traded stocks like OGDC, PTC, PSE, POL, PPL etc. This will enable investors to hold a greater choice of contract maturities and lesson the pressure of imminent contract expiries. Hence the roll over transaction issue which was also one of the main cause behind the crisis can be avoided. Thus investors would not go into a panic grip with an approaching bullish or bearish trend in the market.

2.7. Widening of Circuit Breaker Bands:

Widening of Circuit-breaker bands from the upper limit of 7.5% and lower limit of 5% as research has shown that circuit breakers are of dubious efficiency and often aggravate market volatility.

2.8. Companies being privatized:

Companies due on a privatization calendar should be taken out of the forward transactions (adding hefty premiums to share prices ascertaining future levels). They should be strictly restricted to spot transactions.

2.9. Proper Implementation of Margin Rules:

KSE rules require investors to provide margins to the brokers against placement of individual orders. Brokers, however, seldom follow this rule because they are afraid of losing the investor who will go else where if they impose such rules on him. KSE should periodically audit its members and penalize those who do not conform to this rule so that this practice can be ended and a level of risk management can be achieved.

2.10. Public Awareness:

The world over, stock markets run their business in a set standard. There are special TV business channels which broadcast 24 hours various programs on stock business to increase stock awareness of local investors. A set of expert's are called in to advice investors who call from different localities in different categories and ask various questions. This practice is currently being seen in such channels as GEO and Sun biz in our country as well. My recommendation is to broadcast more of such programs that highlight the intricacies of the phenomenon of stock markets and forces the concerned authorities to be answerable on a media level incase a mishap recurs.