

## Fixed Income Monthly Review Apr-19

As the international crude oil prices hiked up to almost 2pc over the month of March prices of petroleum has been increased by 6.45% in Pakistan. Financing facility for LNG and oil Imports were provided as a loan of \$551mn by Islamic Development Bank to Pakistan. Taxes of Rs2.7trn against a target of Rs. 3trn was collected by FBR, which made the tax collection of 9 months higher to only Rs. 53bn as compared to previous Fiscal year. World Bank made a predication of deceleration of Pakistan's GDP to 3.4% in FY 2018-19 and further to 2.7% in FY 2020-21. The reason provided for this prediction was the tight fiscal and monetary policies to address macroeconomic imbalances.

Trade deficit took a dip of 14% from \$27.29bn to \$23.25bn in the first nine month of the FY in comparison to the corresponding period of last year. In addition to this, remittances from overseas Pakistani showed a growth of 8.74% increasing from \$14802.96mn to \$16096.33mn since last Fiscal year from the same period. Maturity of Eurobonds of \$1 bn for 5 to 10 year bonds was paid this month. The second phase of Pakistan and China FTA came to conclusion this month, where an agreement of reducing duty to zero on 75pc of total tariff lines in 15 years was made. Talks of Pakistan's IMF bailout package have reached to its final round, as per unofficial sources amount of \$6bn to \$8bn is being negotiated.

In a regular bond auction conducted on 18<sup>th</sup> Apr 2019, SBP received bids of PKR 225.6bn, 139.9bn and 111.5bn in 3Y, 5Y and 10Y PIBs respectively, which SBP has accepted PKR 146.8bn at rate of 12.20%, whereas SBP rejected 5Y and 10Y.

In its routine MTB auctions conducted on 10<sup>th</sup> and 24<sup>th</sup> Apr 2019, SBP received mild participation in auctions of 10<sup>th</sup> Apr. At the cutoff of 11.00% and 11.0899%, amounting PKR4.036bn and PKR150mn was accepted for 3-months and 6-monhs respectively against the target of 350bn. Furthermore, in Apr 24<sup>th</sup> auction SBP received bids of PKR 1,732bn & accepted total 600mn in 3-months @10.9799%, however no bids were received in 6-months and 12-months T-bill.

Market liquidity remained calm after the maturity of T-Bill, SBP conducted regular OMO (MOP-UP) and continued its contractionary monetary policy. PBS announced CPI of 8.8% for the month of February on YoY, and increase of 1.3% on MoM basis.

