

Fixed Income Monthly Review Feb-19

The month started off with issuance of Pakistan Banao certificates, a long term security of 3yr and 5yr issued for Overseas Pakistanis having an annual return of 6.25% and 6.75% respectively. This was done as step to help the economy revive. An Integrated investment package of \$14bn was proposed by Russia for Energy sector.

During the mid of the month Saudi Crown Prince Muhammad Bin Salman made a visit to Pakistan which was initially of a day but was extended to 2 days. During the visit, 7 MOUs of \$20bn were signed by Pakistan in different sectors. It was also assured by the Crown Prince that investments of \$7bn, \$2bn, \$12bn will be done over a time period of 2-3years, 3-4years and 5-6years respectively.

Apart from the assistance received from KSA and UAE, foreign assistance of \$2.705bn in the first seven months of FY 2018-19.

In a regular bond auction conducted on 21st Feb 2019, SBP received bids of PKR 175bn, 107bn and 91.8bn in 3Y, 5Y and 10Y PIBs respectively, which SBP has accepted PKR 112bn, 49.9bn and 59bn at rate of 12.15%, 12.4999% and 12.85%. Acceptance of PIB auction significantly affected the longer term bond yields, as the recently issued PIB 12JUL 2018/21 witnessed an abrupt increase of 15 to 25bps as it increased from 11.90% to the level of 12.05%.

In its routine MTB auctions conducted on 13th and 27th Feb 2019, SBP received mild participation in auctions of 13th Feb. At the cutoff of 10.55%, amounting PKR2157bn and PKR1.2bn was accepted for 3-month and 6-month against the target of 100bn. Furthermore, in Feb 27th auction SBP received bids of PKR 528bn & accepted total 472.5bn in 3-months @10.55%, however no bids were received in 6-months and 12-months T-bill.

Market liquidity remained calm after the maturity of T-Bill amounting PKR 2,063bn, SBP conducted regular OMO (MOP-UP) and continued its contractionary monetary policy. PBS announced CPI of 8.2% for the month of February on YoY, and increase of 0.6% on MoM basis.

