

Fixed Income Monthly Review Mar-19

Overseas Pakistanis remitted \$14.350bn in first eight month of FY2018-19 which showed growth of 11.82% as compared to the corresponding period of FY2017-18. Energy sukuk was issued through Power Holding Company worth Rs.200bn for financing and CPPA demanded additional revenue adjustment of Rs.202bn involving Rs.2.5 per unit increase in electricity tariff. The current account deficit plunged by 22% , a deficit of 8.844bn in Jul-Feb 2019 as compared to \$11.421bn in same period of FY2017-18. Country's total debt surged to Rs.27 trillion as Pakistan received \$1bn from UAE and \$2.2bn (15 billion RMB) to finance the BoP crisis.

Finance ministry and SBP team met with IMF mission to Pakistan before announcement of monetary policy and further discussed the bailout package which has been delayed till May 2019. In the meeting, IMF suggested Pakistan; to leave dollar free float so let it find an equilibrium price. SBP also revised downgraded growth and projected to real GDP growth of 3.5% to 4.00% for the FY2019. In latest MPS, SBP also raised policy rate from 0.5bps to 10.75%.

In a regular bond auction conducted on 21st Mar 2019, SBP received bids of PKR 112bn, 55bn and 56bn in 3Y, 5Y and 10Y PIBs respectively, which SBP has accepted PKR 17bn, 22bn and 56bn at rate of 12.23%, 12.6405% and 13.15%. Acceptance of PIB auction significantly affected the long term bond yields, as the recently issued PIB 12JUL 2018/21 witnessed an abrupt increase of 15 to 25bps as it increased from 12.05% to the level of 12.20%.

In its routine MTB auctions conducted on 14th and 28th Mar 2019, SBP received mild participation in auctions of 14th Mar. At the cutoff of 10.55%, amounting PKR4.036bn was accepted for 3-months against the target of 100bn. Furthermore, in Mar 28th auction SBP received bids of PKR 10bn & accepted total 389mn 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, SBP conducted regular OMO (MOP-UP) and continued its contractionary monetary policy. PBS announced CPI of 9.4% for the month of February on YoY, and increase of 1.4% on MoM basis.

