

FOREIGN EXCHANGE MARKET REVIEW

The inclining reserves with volatile impacts

The month of February proves to be victim of high fluctuation as the dollar parity initiated with 138.20 but then trend of volatility begins as the major trade remains within range of 138.25/35 half a month but again market face devaluation and continue to trade under 138.95 as the market did not witness any major financial event and nor the deal that IMF had put on the table was not in the interest of Pakistan because it will unduly burden the vulnerable population and further strain the economy. Whereas, Government's policy measures of high import duties and subsidies to export oriented industries have resulted decline in imports and incline in exports which augurs well for overall balance of payment of the country as the trade deficit contracted by over \$2 billion to \$19.264 billion in the July-January period of 2018-19 against a deficit of \$21.32 billion during the corresponding months last year. Moreover, the total foreign investment has fallen by \$87 million over the month and by \$44.4 million over the year. A major chunk of this month's investment was recorded as direct investment of \$132.2 million, while last month's FDI stood at \$319.2 million but the big achievement this month was the visit of Saudi Prince who signed MoUs of investment worth about \$20 billion which might cause betterment in future economic conditions of Pakistan in coming months.

Pakistan's forex reserves increased by USD 21.20 Million and the total liquid foreign reserves held by the country stood at USD 14,815.80 million on Feb 22, 2019. According to data published by the SBP its reserves decreased by USD 6 Million, however, the reserves of the Commercial banks increased by 27.40 million but the month end proves to be dreadful due to disturbance at Pak-India border for the market as there was high escalation in dollar parity which depreciated PKR up to 139.75 due to high buying of dollars by foreign banks which slightly weakens the strength of forward premiums which were trading at their peak levels previously but the impact gets over as the peace prevails and parity regained its position around 138.80/90 with strong bidding and strong offers in forward premiums which creates stability and strong competency in the market.

