FOREIGN EXCHANGE MARKET REVIEW

Icon Management Private Limited

The dollar stability dominated the interbank foreign exchange market in the month of January as the dollar parity stood at 138 and traded within range of 138.95 as the market did not witness any major financial event and neither there was any progress in the IMF bailout program as per the Government decision to finalize it by mid of January. Whereas, Government's policy measures have resulted in shrinking of trade deficit, decline in imports and increase in exports which augurs well for overall balance of payment of the country as the trade deficit that stood at $17.7bn has shrunk by 5% to $16.8bn. Moreover, the FDI has increased to $319 million during December from $272.8m in the same month last year. Higher inflows during the month improved overall six-month FDI figures since total direct investment during July-Nov slumped by 35%.

On January 18, the foreign currency reserves held by country declined by 3.84% and stood at $13,257.20 million but the end of January proves fruitful for country as the foreign reserves plunge 11.66% to 14,802.50 million due to inflow of $1,000 million from UAE and Saudi Arabia. The impact of inclining foreign reserves along with import restrictions and influx of heavy remittances was vivid in the market as there was high dollar supply which slightly appreciated PKR up to 138.25 and also provide strength to forward premiums which were trading in continuous downward trend previously but now have increased spontaneously with strong bidding and strong offers which creates stability and strong competency in the market.