

Bond Selling Continued

August, bond yields increased slightly as selling pressure was witnessed in month ended August 2017. The preceding month witnessed major change in the yields with yields rising on average 10 bps towards month ended August 2017. The participation of the PIB auction of 23rd August 2017 reinforced the position of Banks/DFIs/FIs as the total participation equaled to a meager total of only PKR26 billion out of which 3 years PIB received majority bids worth of PKR 20 billion, 5 years PIB received PKR 2.5 billion and 10 years PIB received PKR 3 billion. The insignificant amount at lower yields resulted in the auction's rejection. The PIB auction result showed that banks/DFIs/FIs have little to no interest in the prevailing yields. The yields for ready 3 year PIB (29-12-2016 to 29-12-2019) hovered around 6.44%, yield for 3 year remaining bond (26-03-15 to 26-03-2020) rose going from 6.53% on 1st August 2017 to 6.60% in month ended August 2017. PIBs of longer tenors such as 5 year (21-4-2016 to 21-4-2021), 6 year (19-7-2012 to 19-7-2022), and 10 year (21-4-2016 to 21-4-2026) also depicted a rising trend, with their yields prevailing at 7.05%, 7.40%, and 8.18% respectively. The result of the latest MTB auction of 30th August 2017 showed a stable trend as the cut offs for 3month, 6 month and 12 month were maintained at 5.9910%, 6.0109% and 6.0386% respectively. The target for the auction amounted to PKR 300 billion from which a huge total of PKR 507 billion was accepted with 3 months receiving majority bids worth of PKR 426 billion, followed by 6 months receiving PKR 80 billion and 12 months receiving only PKR 12 million, thus displaying the interest of FIs on shorter tenors as compared to longer tenors. Looking at the prevailing scenario bond yields will remain on the rising trend in the near future. The CPI for YoY August 2017 equaled to 3.42% greater than the previous number of 2.91%.

