

MPS-No Change

January, bond yields decreased significantly as activity in the Money/Fixed income Market forced yields to plummet during the month. The previous month witnessed major activity after the PIB auction of 25th January 2017 causing yields to fall from high to low drastically. Major activity was seen as the money/ fixed income market maintained buying pressure throughout the month with Banks/DFIs/FIs showing interest as a result major buying of off the run and ready PIBs were witnessed. The participation of the PIB auction of 25th January 2017 further validated the position of Banks/DFIs/FIs as the total participation equaled to a decent total of PKR138 billion (double than the auction target of PKR50bn) out of which 3 years PIB received majority bids worth of PKR82 billion, 5 years PIB received PKR 34 billion and 10 years PIB received only PKR 21 billion. The decent amount as well as lower yields resulted in the auction's acceptance. The results of the PIB auction of 25th January 2017 showed a descending trend as the cut offs for 3 years, 5 years and 10 years were given at 6.4074%, 6.8998% and 7.9414% respectively. The target for the auction amounted to PKR50billion out of which a significant total of PKR39billion was accepted, thus showing interest of FIs towards short tenor PIBs. The acceptance set the stage for further developments in the money/fixed income market. The yields saw an average decrease of 15-20 basis points as buying pressure remained high on month ended January 2017. The yields for 3 year PIB (21-4-2016 to 21-4-2019) floated around 6.23%, yield for 4 year remaining bond (26-03-15 to 26-03-2020) also decreased going from 6.80% on 1st January 2017 to 6.53% in month ended January 2017. PIBs of longer tenors such as 5 (21-4-2016 to 21-4-2021), 6, and 10 year (21-4-2016 to 21-4-2026) also decreased drastically, with their yields prevailing at 6.97%, 7.19%, and 8.19% respectively. The results of the latest MTB auction of 18th January 2017 also showed a downward trend as the cut offs for 3month, 6 month, and 12 month were decreased to 5.9017%, 5.9258% and 5.9598% respectively. The target for the auction amounted to PKR 450 billion out of which a mammoth total of PKR 519 billion was accepted, thus showing the interest of FIs on shorter tenors as compared to longer tenors. Because of the buying pressure witnessed in month ended January 2017 bond yields will remain low in the near future, as banks/DFI/FIs have shown interest in the existing yields. According to the MPS released by SBP on 28th January 2017, the monetary policy committee maintained the status quo with the policy rate remaining at 5.75%. The latest report revealed by SBP stated that the total advances for year ended 2016 amounted to PKR5.57 trillion, an increase of 144% as compared to the previous year 2015, the overall increase in advances over the 12-month period was PKR790 billion compared to the rise of PKR323bn in 2015. The CPI for YoY January 2017 equaled to 3.66% lower than the previous number of 3.70%.

