

Year End Closing

June, bond yields faced stagnation as no major development was seen during the month in the Money/Fixed Income Market. The preceding month witnessed little to no change in the yields as the latest cut offs for both MTB and PIB auction were maintained. The participation of the PIB auction of 14th June 2017 further enforced the position of Banks/DFIs/FIs as the total participation equaled to a significant total of PKR 94 billion out of which 3 years PIB received majority bids worth of PKR 77 billion, 5 years PIB received only PKR 7 billion and 10 years PIB received PKR 9 billion. The considerable amount at lower yields resulted in the auction's acceptance. The PIB auction result showed a stable trend as the cut offs for 3 years, 5 years and 10 years were maintained at 6.4050%, 6.8974% and 7.9358% respectively. The target for the auction amounted to PKR 50 billion from which a significant total of PKR 78 billion was accepted. The yields for ready 3 year PIB (29-12-2016 to 29-12-2019) hovered around 6.39%, yield for 3 year remaining bond (26-03-15 to 26-03-2020) remained stable going from 6.44% on 1st June 2017 to 6.43% in month ended June 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 showed stagnation, with their yields prevailing at 6.80%, 7.08%, and 8.00% respectively. The result of the latest MTB auction of 21st June 2017 showed a similar trend as the cut offs for 3 month, 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 decent total of PKR 346 billion was accepted with 3 months receiving majority bids worth of PKR 255 billion, followed by 6 months receiving PKR 89 billion and 12 months receiving only PKR 2.8 billion, thus showing the interest of FIs on shorter tenors as compared to longer tenors. Due to the stagnant trend witnessed in month ended June 2017 bond yields will remain stable in the near future, as banks/DFI/FIs have shown interest in the prevailing yields of both off the run and ready issues. The CPI for YoY June 2017 equaled to 3.93% lower than the previous number of 5.02%.

