

## Stability Prevailed

October, bond yields witnessed little to no change, as stagnation prevailed in the money/fixed income market. The previous month witnessed a stable trend, with minor increase in yields towards month ended October 2017. The participation of the PIB auction of 18<sup>th</sup> October 2017 further reinforced the position of Banks/DFIs/FIs as the total participation equaled to a minor total of only PKR 25 billion out of which 3 years PIB received majority bids worth of PKR 22 billion, 5 years PIB received only PKR 1.5 billion and 10 years PIB received PKR 1.6 billion. The insignificant amount at lower yields resulted in the auction being rejected. The PIB auction result showed that banks/DFIs/FIs have no interest in the prevailing yields. The yields for ready 3 year PIB (29-12-2016 to 29-12-2019) hovered around 6.65%, yield for 3 year remaining bond (26-03-15 to 26-03-2020) witnessed no change going from 6.70% on 2<sup>nd</sup> October 2017 to 6.69% in month ended October 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 7.20%, 7.60%, and 8.00% respectively. The result of the latest MTB auction of 25<sup>th</sup> October 2017 showed a steady trend as the cut offs for 3 month and 6 month were maintained at 5.9910% and 6.0109% respectively. The target for the auction amounted to PKR 650 billion out of which a significant total of PKR 715 billion was accepted with 3 months receiving majority bids worth of PKR 690 billion, followed by 6 months receiving PKR 25 billion and 12 months receiving no bids at all, hence showing the interest of FIs on shorter tenors as compared to longer tenors. Looking at the ongoing scenario and uncertainty bond yields will remain stable in the near future. The CPI for YoY October 2017 equaled to 3.80% lower than the previous number of 3.86%.

