

### Bonds acceptance - Times up

Post “no change” monetary policy factor keeps the bulls on higher nodes and bond of approximately 4 years traded at 7.90%. Before MP factor the highest recorded rates of same tenor were 8.60%. April, the month witnessed a rollercoaster trend in bond yields, initially bonds yields dipped 15 to 25bps but in month end adjusted upward by 5 to 15bps after the acceptance of 3, 5- and 10-years bond by State bank of Pakistan. This rollercoaster trend in yields was witnessed due to the bond acceptance, which was expected to be rejected because of bidding at higher yields by participants and Banks/DFIs/FIs interest towards shorter tenor because of political uncertainty regarding elections. The participation of the PIB auction of 18th April 2018 showed the position of participants as the total participation equaled to a mammoth total of PKR 87.71 billion out of which 3 years PIB received majority bids worth of PKR 47.8 billion, 5 years PIB received bids worth PKR 14.45 billion and 10 years PIB received PKR 25.46 billion. The significant amount at higher than previous yields led the auction being accepted. The yields for ready 3-year PIB (29-12-2016 to 29-12-2019) hovered around 7.15%, yield for 2 years remaining bond (26-03-15 to 26-03-2020) witnessed a downward slide and remains at 7.20% on 30th April 2018. PIBs of longer tenors such as 4 year (21-4-2016 to 21-4-2021), 5 year (19-7-2012 to 19-7-2022), and 10 year (21-4-2016 to 21-4-2026) also showed downhill trend, with their yields prevailing at 7.80%, 8.15%, and 8.50% respectively. The result of the latest MTB auction of 25th April 2018 showed an enormous participation of PKR1632 billion and the cutoff increased to 6.2591%. The target for the auction amounted to PKR950 billion out of which a mammoth total of PKR1412 billion was accepted with 3 months receiving majority bids worth of PKR1407 billion while 6 months received bids worth of PKR5 billion and 12 months received no bids at all, hence showing the interest of FIs on shorter tenors as compared to longer tenors. Looking at the prevailing trend bond yields are expected to remain stable due to the equal buying and selling pressure prevalent in the money/fixed income market, also bond yields adjusted themselves due to the acceptance of bids in PIB auction at higher than previous yield. The CPI for YoY April 2018 equaled to 3.68% greater than the previous number of 3.25%.

