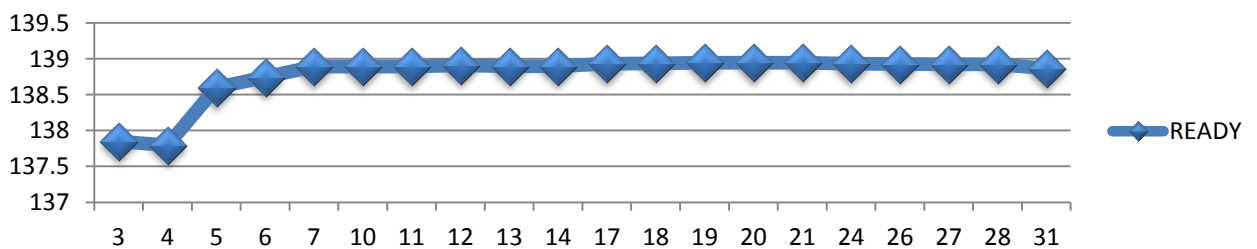


## FOREIGN EXCHANGE MARKET REVIEW

The dollar hike continues to dominate the interbank foreign exchange market in the month of December as the dollar parity stood at 145 and traded within range of 140 as the decision was to give autonomy to the SBP to maintain real USD/PKR parity which was one of the conditions of last two IMF programs. The SBP's autonomy has also been at the Centre during the staff-level talks between Pakistan and IMF that ended inconclusively last month. PTI government devalued rupee against US dollar and increased prices of electricity and gas even before going to the International Monetary Fund for a bailout package. Umar confirmed that both the monetary and fiscal policies were moving in direction of reforms that are required by the IMF. "There is no difference of opinion with the IMF in terms of what needs to be done".

On December 14, the foreign currency reserves held by the SBP were recorded at \$8,048.3 million, up \$787.6 million compared with \$7,260.4 million as the aid from Saudi Arabia intrude in to foreign reserves of Pakistan but the blessing did not last for long as on December 21, the foreign currency reserves held by the SBP were recorded at \$7,457.3 million, down \$591 million compared with \$8,048.3 million. The decrease was attributed to external debt servicing and other official payments. Overall, liquid foreign currency reserves held by the country, including net reserves held by banks other than the SBP, stood at \$14,017.8 million. The impact of declining foreign reserves was vivid in market as due to shortage of dollar supply the demand for dollar was very high which kept the dollar price stable around 138 but the forward premiums were trading in continuous downward trend with weak bidding and strong offers which creates instability and strong incompetency in the market.

### READY (Dec, 18)



### SWAPS (DEC 18)

