

Fixed Income Monthly Review July-19

Ministry of Finance projected 2.4% growth for Current Fiscal Year

Ministry of Finance has projected 2.4% growth for the current fiscal year in the budget documents based on fiscal consolidation agreed with the IMF under the bailout package. The Executive Board of the International Monetary Fund (IMF) approved a \$6 billion bailout package for Pakistan and immediately released \$1bn to ease a sustained pressure on the country's foreign exchange reserves, saying it would lead to inflows of \$38bn from other lenders in three years. The central government's domestic and external debts by the end of May, 2019 had collectively floated the total sum to Rs.29.8 trillion as per the latest of the monthly released statistical reports, issued by the State Bank of Pakistan.

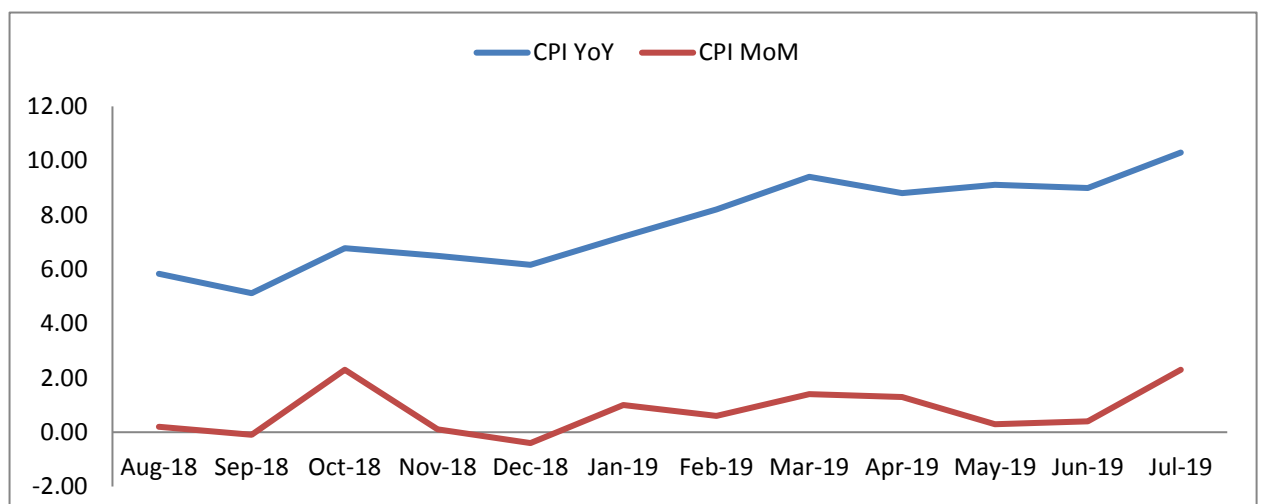
Pakistan's trade deficit for July-June FY19 was USD 31.82 billion compared to a deficit of USD 37.58 billion from the corresponding period from FY18. 12-month exports stood at USD 22.979 billion compared to USD 23.212 from the corresponding period of last year, showing a decrease of 1 percent. Similarly Imports during the period decreased by 9.86 percent to USD 54.799 billion compared to USD 60.795 from the same period of FY18. Pakistan's current account deficit (CAD) for fiscal year 2019 has largely narrowed down by \$6.3 billion to \$13.6 billion, while last year's deficit was recorded at \$19.9 billion.

Overseas Pakistanis remitted \$1.65 billion in the month of June 2019 compared to \$2.32 billion in May 2019 showing a decrease of \$665.22 million over the previous month. The total amount remitted during July-June FY19 was \$21.8415 billion compared to \$19.9136 billion from the corresponding period of FY18 which showed an increase of \$1,927.91 million or 9.68%. The Oil and Gas Regulatory Authority (OGRA recommended the federal government to increase prices of petroleum products up to 10% for the month of August. OGRA has calculated an increase of Rs5.15 per litre in the price of motor spirit (petrol), Rs5.65 per litre for high-speed diesel, Rs5.38 for kerosene oil and Rs8.90 for light diesel oil. State Bank of Pakistan announced a hike of one percentage point in the key policy discount rate, brings the key rate to 13.25pc.

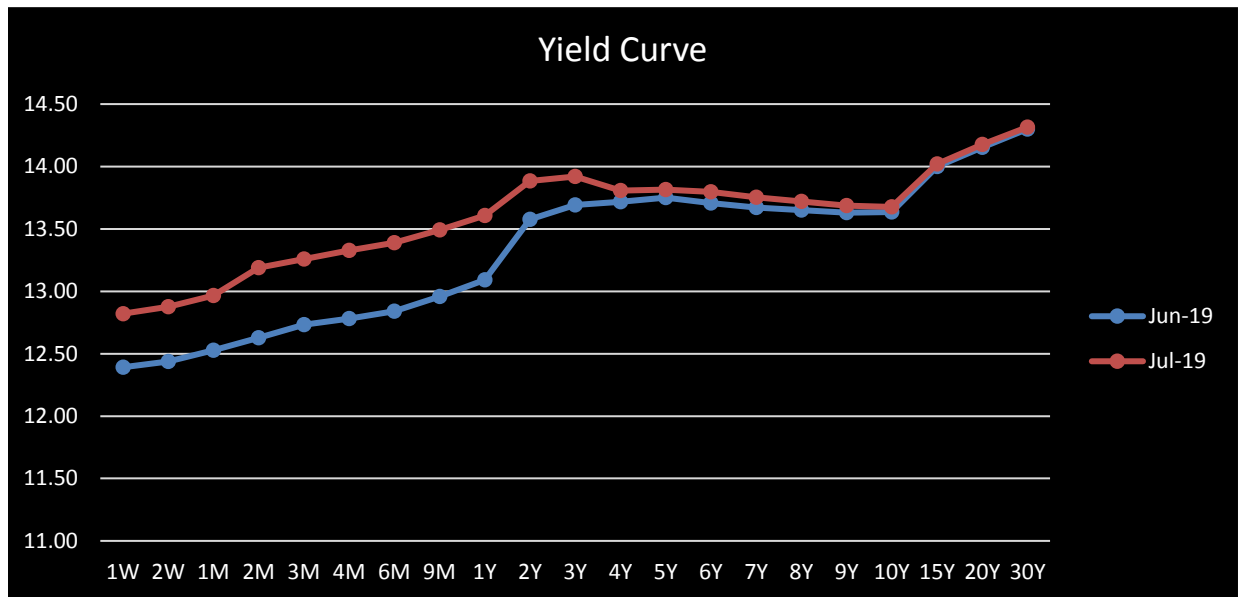
In a regular bond auction conducted on 24th July 2019, SBP received bids of PKR 168.592bn, 268.747bn and 261.730bn in 3Y, 5Y and 10Y PIBs, which SBP has accepted PKR 106.8bn, 45.879bn and 19.129bn at rate of 14.25%, 13.80% and 13.55% respectively. In PIB Floater SBP accepted PKR 84.150bn out of 128.15bn at the spread of 75bps.

In its routine MTB auctions conducted on 4th and 18th July 2019, SBP received mild participation in auctions of 4th July. At the cutoff of 12.7495%, amounting PKR 95.912bn was accepted for 3-months, bids in 12-months was rejected, no bids were received in 6-months. Furthermore, in July 18th auction, SBP received bids of PKR 2054bn, 146.96bn and 125.17bn in 3-months, 6-months and 12-months from which SBP accepted PKR 2040bn in 3-months, 144.21bn in 6-months and 112.7bn in 12-months at the level of 13.7499%, 13.95% and 14.10% respectively.

Market liquidity remained calm throughout the month as the central bank managed the liquidity condition through frequent OMOs, SBP continued to conduct regular OMO (Injection) to stabilize the liquidity condition. PBS announced CPI of 8.9% for the month of June on YoY, and increase of 0.4% on MoM basis.



Yield Curve June-19 vs. July-19:



OMO History July-2019:

(All amounts in million PKR)

Date	Injection		Mop up		Tenor (Days)	Cut off
	Offered	Accepted	Offered	Accepted		
2-Jul-19	-	-	310,800	308,800	3	12.20%
5-Jul-19	162,300	85,000	-	-	7	12.34%
8-Jul-19	136,450	85,000	-	-	4	12.37%
11-Jul-19	220,850	155,350	-	-	1	12.40%
12-Jul-19	356,220	356,220	-	-	7	12.30%
15-Jul-19	72,700	67,700	-	-	4	12.30%
18-Jul-19	1,084,250	1,079,250	-	-	8	13.32%
19-Jul-19	571,500	465,000	-	-	7	13.34%
23-Jul-19	97,300	76,800	-	-	3	13.35%
25-Jul-19	143,850	143,850	-	-	1	13.37%
26-Jul-19	-	-	-	-	7	13.34%

Source: SBP

SBP Overnight Repo/Reverse Repo Facility-History:

(All amounts in million PKR)

Date	Ceiling	Floor
2-Jul-19	-	15,500
4-Jul-19	-	205,900
5-Jul-19	31,000	-
9-Jul-19	2,500	-
10-Jul-19	10,000	-
11-Jul-19	14,250	-
17-Jul-19	-	106,350
18-Jul-19	48,000	-
22-Jul-19	35,000	-
23-Jul-19	-	28,000
24-Jul-19	-	88,100
25-Jul-19	21,050	-

Source: SBP