

Market Snapshot

Key Economic Indicators

Inflation CPI (YoY)	8.8%
GDP Growth	5.7%
Forex reserves	\$ 15.089bn

Source: SBP

PSX INDEX

KSE 100 Index	35974.79
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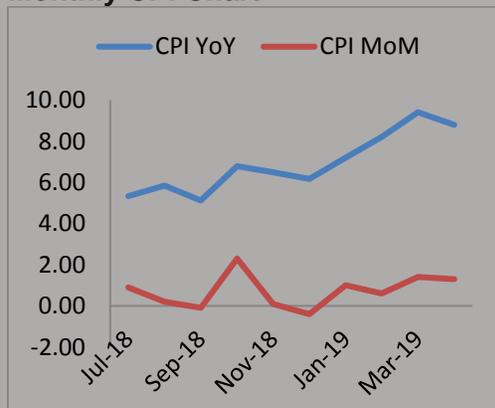
Source: PSX

Interest Rates

Discount rate	12.75%
KIBOR (1 Month)	12.79%
KIBOR (3 Month)	12.87%
KIBOR (6 Month)	12.99%
KIBOR (9 Month)	13.33%
KIBOR (1 Year)	13.46%

Source: SBP

Monthly CPI Chart



Source: ICON Research

IN FOCUS TODAY

Inflation likely to rise over next few years

The government is expecting the inflation rate to “remain on the higher trajectory” over the next couple of years owing to second-round effect of currency depreciation, higher energy prices, rising commodity prices in international market and base money creation. As such, the average inflation is expected to be 8.5 per cent in the next fiscal year (2019-20) that may touch 10pc by fiscal year 2020-21, a senior government official told Dawn. The coming increase in energy and petroleum prices due in July will also play a role. The official said these figures were shared with Prime Minister Imran Khan and four provincial chief ministers at a meeting of the National Economic Council (NEC) last week. The country’s highest economic decision making body was told that economic growth was anticipated to slightly recover next year as macroeconomic stabilization had been achieved through curtailing domestic demand. Fiscal consolidation along with regulatory measures would be aimed to ease the growing pressures on the external front.

Source: Dawn News

Tax collection shortfall widens to Rs440 billion

The shortfall in tax collection has widened to Rs440 billion in the first eleven months of this fiscal year with only 1% growth rate, which may push the total collection at the end of the year even below the level left behind by the Pakistan Muslim League-Nawaz (PML-N) government. The steep shortfall in tax collection has also made the next fiscal year 2019-20’s proposed target of Rs5.550 trillion unrealistic - even before the start of the fiscal year, which will begin from July. From July through May of fiscal year 2018-19, the Federal Board of Revenue (FBR) has provisionally collected Rs3.31 trillion in taxes as against the target of Rs3.75 trillion for July-May period, according to the FBR officials. It missed the eleven-month target with a record margin of Rs440 billion.

Source: Express Tribune

Pakistan eyes borrowing of \$12.3 billion in FY20

Pakistan is eyeing obtaining record foreign loans of over \$12 billion in the upcoming fiscal year on the strength of an International Monetary Fund (IMF) program, but it will still face a financing gap due to the requirement of building foreign currency reserves and \$10.7 billion in debt repayments. The Ministry of Finance has estimated the receipt of \$12.3 billion from bilateral and multilateral lenders, commercial banks, issuance of Eurobonds and the IMF in fiscal year 2019-20, according to sources in the ministry. The estimated fresh borrowing will be nearly one-fifth or \$1.9 billion higher than the outgoing fiscal year’s revised estimate of \$10.3 billion worth of external inflows. Pakistan has not planned to take fresh SAFE deposits from China in the new fiscal year as against \$2 billion obtained in the outgoing year. However, the country’s gross external financing requirement has been estimated at a minimum \$19 billion, excluding the additional needs to shore up the foreign currency reserves to a level that are sufficient to finance three months of imports, said the sources.

Sources: Express Tribune

TREASURY MARKET UPDATES

Monday, Jun 03, 2019

Money Market Rates (%)

Tenor	Bid	Offer
1 month	12.40	12.50
3 month	12.65	12.75
6 month	12.75	12.85

Latest Cut-off Yields (T-Bills)

3 Months	12.7495%
6 Months	12.8010%
12 Months	No bid received

Latest Cut-off Yields (PIBs)

3 Years	13.6999%
5 Years	13.8000%
10 Years	13.6000%

FX Swap Points

Tenor	Opening Levels	Closing Levels
1 Week	16.25-16.5	41-42
2 Week	54.75-55	55-56
1 Month	110-112	107-109
2 Month	204-208	204-206
3 Month	303-307	302-306
4 Month	391-395	390-392
5 Month	482-485	481-483
6 Month	572-576	567-570

Money Market:

Overnight interbank market rates initiated at the level of 12.25 - 12.50 and closed at the level of 12.20-12.30. SBP conducted 10 days OMO (Injection) where SBP injected PKR 816bn at the rate of 12.31%. Market liquidity remained slightly on the shorter side as the market nears the end of the second week of CRR averaging. Fixed income PIB yields remained seemingly calm throughout the trading and minor activity was witnessed in recently issued 3 and 5 years PIBs.

Fixed Income:

The closing prices were:

Tenor	Bid	Offer
1 Year	13.00%	12.90%
2 Year	13.25%	13.15%
3 Year	13.45%	13.35%
5 Year	13.50%	13.40%
10 Year	13.55%	13.45 %

Forex Market:

The Forex market witnessed high fluctuation today in the inter-bank market as the ready rate with the opening price of 147.75/148.50 and the maximum exchanging was seen inside the scope of 148 and closed around 147.90/148. Simultaneously, ready lowest trade was on 147.50 and highest was on 148.60. On other hand, the TOM also witnessed slight movement, which started with bid of 147.94 and offer of 148.04 and closed around 148.00/148.10. The market observed Sell/Buy pressure in shorter tenors including 1W, 2W, 1M which made the market to close at level above the prior day. Moreover, longer tenors including 3-M, 4-M faced Sell/Buy pressure, whereas 5-M and 6-M observed Buy/Sell pressure, which made the market to close at below the prior day.

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