

Market Snapshot

Key Economic Indicators

Inflation CPI (YoY)	9.1%
GDP Growth	3.3%
Forex reserves	\$ 14.889bn

Source: SBP

PSX INDEX

KSE 100 Index	34937.93
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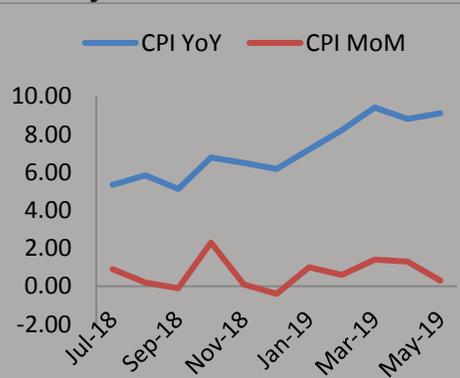
Source: PSX

Interest Rates

Discount rate	12.75%
KIBOR (1 Month)	12.80%
KIBOR (3 Month)	12.90%
KIBOR (6 Month)	13.04%
KIBOR (9 Month)	13.39%
KIBOR (1 Year)	13.52%

Source: SBP

Monthly CPI Chart



Source: ICON Research

IN FOCUS TODAY

Budget 2019-20: Tax-heavy budget fails to arrest growing fiscal deficit

Despite a massive Rs1.405 trillion tax plan, the federal budget sees no major change in the overall fiscal deficit during 2019-20, which is set to come in at a record Rs3.15tr or 7.2 per cent of GDP. The government has increased income tax rates to a maximum of 35pc from 25pc at present and reduced by half the taxable income bracket to Rs50,000 per month for salaried and Rs33,333 per month for non-salaried. Another key decision under the budget is the removal of zero-rating facility to five export-oriented sectors, including textiles, and imposition of normal 17pc GST despite strong opposition from the industry. From sales taxes, the government is expecting to raise Rs250bn incremental revenue, via GST rate adjustments in various areas and elimination of zero-rating. Also, the budget removed a restriction on sale and purchase of movable and immovable assets of tax non-filers that was considered a move for documentation of economy when it was first introduced. Also tax rates were increased on sugar, cement, steel and many edible items and facilitation has been offered on import of machinery and equipment for industrialization, including in the tribal region now being merged with Khyber Pakhtunkhwa.

Source: Dawn News

Govt projects Rs3.98tr spending on public debt

The federal government has projected that it will spend Rs3.98 trillion on public debt retirement in the upcoming fiscal year 2019-20 including foreign loan repayments and payment of interest on the huge debt pile. The government projected to pay Rs2.2 trn on public debt retirement in fiscal year 2018-19. However, it spent Rs2.91 trillion according to revised budget estimates in the outgoing financial year. It estimated spending of Rs1.391 trillion on paying mark-up on domestic debt but actual amount soared to Rs1.68 trillion in the outgoing year. It also estimated Rs229.23 bn mark-up payment on foreign loan but the figure jumped to Rs305.75 bn.

Source: Express Tribune

PTI govt to go all out for Rs5.5 trillion tax

Striking a defiant note, Finance Adviser Dr Abdul Hafeez Shaikh on Wednesday said that he was ready to offend people for the sake of collecting Rs5.550 trillion taxes amid high probability of protests by various business bodies against the budget. The industrialists have already announced to go on strike against the government's decision to withdraw zero sales tax facility that was available to textile, garments, surgical, exports and leather manufacturers. The Federal Board of Revenue (FBR) needs to increase its tax collection to Rs5.550 trillion at an annual growth rate of 35 per cent - a task that many believe is unrealistic. However, the tax measures that the government has announced in the budget appeared insufficient to achieve the target. Pakistan has imposed these taxes to qualify for the \$6 billion International Monetary Fund (IMF) program. Dr Shaikh said that the IMF Board was expected to take up Pakistan's request within three to four weeks and it will be up to the Board to approve the program. Both the sides have already reached a staff-level agreement.

Sources: Dawn News

TREASURY MARKET UPDATES

Thursday, Jun 13, 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	12.7493%
6 Months	No bids received
12 Months	13.1500%

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	28-29	28-28.25
2 Week	51-52	53-55
1 Month	103-105	105-108
2 Month	192-196	200-204
3 Month	292-296	305-310
4 Month	365-368	386-390
5 Month	462-466	482-486
6 Month	561-564	574-577

Money Market:

Overnight interbank market rates initiated at the level of 12.25 - 12.50 and remained range bound throughout the day. SBP conducted OMO (injection) in which SBP injected Rs.50bn for 2 days at the rate of 12.36%. Market liquidity remained seemingly calm as the market nears the end of the second week of CRR averaging. Fixed income PIB yields witnessed volatility throughout the day after and increased by 5-10Bps at the end of the day, Furthermore minor activity was witnessed in recently issued 3 and 5 years PIBs.

Fixed Income:

The closing prices were:

Tenor	Bid	Offer
1 Year	13.10%	13.00%
2 Year	13.50%	13.40%
3 Year	13.75%	13.65%
5 Year	13.75%	13.65%
10 Year	13.70%	13.60%

Forex Market:

The Forex market witnessed high fluctuation in the inter-bank market as the ready rate with the opening price of 151.50/75 but touched 151.95 high and 151.35 low but then maximum exchanging was seen inside the scope of 151.60 and closed around 151.60/70. Simultaneously, ready lowest trade was on 151.35 and highest was on 151.95. Simultaneously, TOM also witnessed high fluctuation, which started with the price of 151.65/80 and closed around 151.75/80. The market in shorter tenors including 1W, 2W and 3W faced Buy/Sell with weak bids but observed Sell/Buy pressure in 1M which made the market to close at level above the prior day. Similarly, longer tenors including 3-M, 4-M, 5-M and 6-M also faced Sell/Buy pressure, which made the market to close at level higher than the prior day.

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