Morning Huddle

Friday, Feb 22, 2019

Market Snapshot

Key Economic Indicators	
Inflation CPI (YoY)	7.2%
GDP Growth	5.7%
Forex reserves	$ 14.794bn

Source: SBP

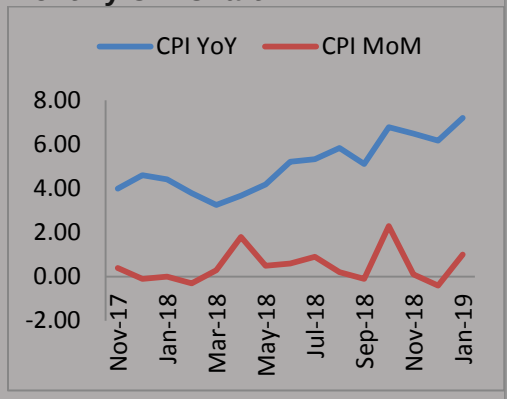
PSX INDEX	
KSE 100 Index	40070.71

Source: PSX

Interest Rates	
Discount rate	10.75%
KIBOR (1 Month)	10.72%
KIBOR (3 Month)	10.76%
KIBOR (6 Month)	10.85%
KIBOR (9 Month)	11.26%
KIBOR (1 Year)	11.41%

Source: SBP

Monthly CPI Chart



Source: ICON Research

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IN FOCUS TODAY

Circular debt likely to touch Rs.1.5trn

The country's energy sector circular debt is likely to touch Rs.15trn if the Khan administration delays getting Rs.200bn Sharia'h complaint financing from a consortium led by Meezan Bank. Official sources told this scribe that power division wants to avail Sharia'h complaint financing of up to 600bn with Rs.200bn required immediately. Officials confirm that the amount of circular debt is Rs.870bn whereas Rs.610bn is parked in the books of PHPL. With a new loan of Rs.200bn through Islamic financing against assets of Discos and WAPDA, power sector loan will touch Rs.810bn.

Source: Business Recorder

Current account deficit shrinks by $735 million in January

Current account deficit during the period July to January has shrunk by 17% i.e. $1.7 billion, to arrive at $8.424 billion. On a monthly basis, current account deficit shrank by $735 million from 1.544 billion in December to $809 million in January. As per the Balance of Payment summary report released by the State Bank of Pakistan, the deficit in trade of goods and services in these seven months has also shrunken by over 5% as the deficit stands at $19.7 billion. However the deficit on primary income has widened by 4.5%, being logged in at $3.1 billion. Meanwhile, the surplus on secondary income expanded by 5.4% over the year.

Source: Mettis Global

'Existing gaps narrowed': IMF negotiations nearing conclusion, says Asad Umar

Finance Minister Asad Umar on Thursday said negotiations with the International Monetary Fund (IMF) were still ongoing but nearing conclusion. "We are still holding discussions with the IMF. Talks are now being held on a regular basis. There were two technical sessions last week in which progress was made on various fronts," the minister said during an informal interaction with journalists after an event in Islamabad. Umar acknowledged that differences still existed between the two negotiating parties but said he was hopeful they would be resolved. In his address at the event earlier, the finance minister condemned New Delhi's decision to hike duties on Pakistani goods, saying that the move would prove detrimental to Indian interests in the long run. The finance minister, however, struck quite a positive note on the country's future. "Today, Pakistan is fortunate to have a leadership that has a vision for its future. If that vision materializes, then I can guarantee that Pakistan will be among the world's top five economies by the end of this century."

Source: Tribune Express

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Money Market Rates (%)

Tenor	Bid	Offer
1 month	10.30	10.40
3 month	10.45	10.55
6 month	10.55	10.65

Latest Cut-off Yields (T-Bills)

3 Months	10.5500%
6 Months	10.5999%
12 Months	No bid received

Latest Cut-off Yields (PIBs)

3 Years	12.15%
5 Years	12.4999%
10 Years	12.85%

FX Swap Points

Tenor	Opening Levels	Closing Levels
1 Week	20.5-21.5	21-22
2 Week	38-40	38-40
1 Month	69-72	70-73
2 Month	138-144	136-140
3 Month	188-193	190-195
4 Month	240-250	250-257
5 Month	293-300	300-310
6 Month	352-358	355-365

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TREASURY MARKET UPDATES

Money Market:

Overnight interbank market rates initiated at the level 10.15 – 10.35 and increased to the level of 10.30 – 10.40. Market liquidity remained slightly on shorter side on last day of the second week of CRR averaging. SBP conducted an OMO (INJECTION) for one day which injected PKR 300bn against the participation of PKR 328bn at the rate of 10.30%. SBP announced the result of its regular PIB Auction in which PKR 112bn, PKR 49bn and PKR 59bn worth of bids were accepted at the cut-off rate of 12.15%, 12.49% and 12.85% in 3, 5 and 10 years respectively. In Floating rate PIBs PKR 80bn worth of bids were accepted at the cut-off rate of WAVG+0.7. Recently issued fixed and floater PIBs remained in active trading and witnessed some trivial fluctuations.

Fixed Income:

The closing prices were:

Tenor	Bid	Offer
1 Year	11.10%	11.00%
2 Year	11.70%	11.60%
3 Year	12.05%	11.95%
5 Year	12.45%	12.35%
10 Year	12.95%	12.85%

Forex Market:

The Forex market witnessed slight decline today in the inter-bank, the ready rate with the opening price of 138.75/139.85 but a dip was seen in which maximum exchanging was seen inside the scope of 138.75. Simultaneously, ready lowest trade was on 138.60 and highest was on 138.75. The market observed high movement in shorter tenors with constant Sell/Buy pressure which drag 1W&1M at their highest level whereas longer tenors beginning from (3 months till 6 Months) also faced constant Sell/Buy pressure on which basis bids side move upward as compared to the prior day rates.

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