Morning Huddle

Monday, May 06, 2019

Market Snapshot

Key Economic Indicators	
Inflation CPI (YoY)	9.41%
GDP Growth	5.7%
Forex reserves	$ 15.742bn

Source: SBP

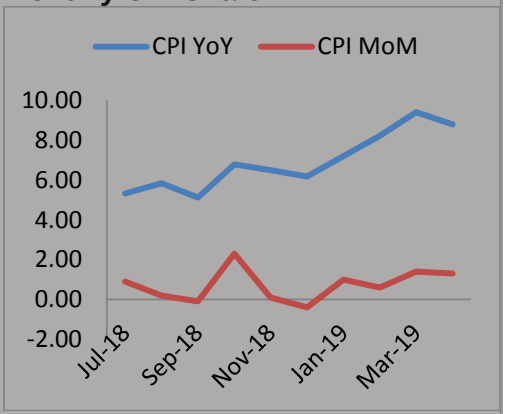
PSX INDEX	
KSE 100 Index	36122.95

Source: PSX

Interest Rates	
Discount rate	11.25%
KIBOR (1 Month)	11.08%
KIBOR (3 Month)	11.08%
KIBOR (6 Month)	11.24%
KIBOR (9 Month)	11.58%
KIBOR (1 Year)	11.65%

Source: SBP

Monthly CPI Chart



Source: ICON Research

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IN FOCUS TODAY

Pakistan doesn't need additional taxes to cover revenue shortfall: WB

Pakistan has substantial potential to increase tax receipts without imposing new taxes or increasing their rates. The country's tax revenue potential would reach 26 per cent of GDP, if tax compliance were to be raised to 75 per cent, which is a realistic level of compliance for lower middle income countries. This means that Pakistan's tax authorities are currently capturing only half of this revenue potential — the gap between actual and potential receipts is 50 per cent, according to a new document prepared by the World Bank titled Pakistan Revenue Mobilization Project, published recently. The document says that Pakistan needs to increase its tax revenues to ensure fiscal sustainability and generate fiscal space to finance much needed investments in human capital and infrastructure. The project document also highlights the share of tax revenue collected by the provinces remains small at nine per cent of total receipts but has been growing rapidly, from 0.4 per cent of GDP in 2010-11 to 1.2 per cent in 2017-18. Despite this progress, tax receipts still fall short of 15 per cent of GDP, which is the minimum that international experts consider adequate to cover the basic expenditure needs of developing countries, it says.

Source: Dawn News

Provinces resist IMF's demand of Rs430b cash surpluses

The International Monetary Fund (IMF) has sought over Rs430 billion cash surpluses from provinces in the next fiscal year – a demand that the federating units have termed unrealistic and linked any cash surplus with ability of the federal government to collect more taxes. In a meeting with Pakistani officials at the Q-Block, the IMF mission urged them to throw cash surpluses of around 1% of the Gross Domestic Product (GDP) or over Rs430 billion for fiscal year 2019-20, sources in the Finance Ministry told The Express Tribune. The demand has been made to keep the overall budget deficit below 5% of the GDP and project a primary fiscal balance. As against the IMF's demand of over Rs430 billion cash surplus, the finance ministry also expects that the four provinces may generate cash surplus of around Rs275 billion or 0.6% of the GDP.

Source: Express Tribune

Central govt's debt reaches Rs.27.8 trillion as of March '19

The central government has acquired a debt of Rs.27.8 trillion as of March 2019, which is Rs.4.45 trillion higher than the amount borrowed by the same period last year and Rs.3.6 trillion higher than the beginning of ongoing fiscal year. According to the State Bank of Pakistan's monthly report on government debt, the amount borrowed as of March 2018 was Rs.23.34 trillion while previous fiscal year's borrowing stood at Rs.24.2 trillion. Rs.18.2 trillion out of the total borrowing in March accounts for domestic debt whereas Rs.9.6 trillion were accumulated from external sources. Most of the amount borrowed from external sources is accumulated under long term agreements. Domestically, the central government acquired Rs.7.9 trillion from long term debt agreements and Rs.10.3 trillion from short term agreements. The biggest source of short term loan is MTB's while in the long term, the major chunk of debt was acquired from Federal government bonds (Rs.3.85 trillion) and saving schemes (Rs.2.95 trillion).

Sources: Mettis Global

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Money Market Rates (%)

Tenor	Bid	Offer
1 month	10.70	10.80
3 month	10.80	10.90
6 month	10.95	11.05

Latest Cut-off Yields (T-Bills)

3 Months	10.9799%
6 Months	Bids rejected
12 Months	No bid received

Latest Cut-off Yields (PIBs)

3 Years	12.2000%
5 Years	Bids Rejected
10 Years	Bids Rejected

FX Swap Points

Tenor	Opening Levels	Closing Levels
1 Week	22-22.5	22-22.25
2 Week	43.5-44.25	43-44
1 Month	95.5-96.5	91-93
2 Month	172-173	168-170
3 Month	240-241	238-240
4 Month	304-308	298-303
5 Month	377-378	370-373
6 Month	455-460	445-450

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TREASURY MARKET UPDATES

Money Market:

Overnight interbank market rates initiated at the level of 10.40-10.70 and closed at the level of 10.60-10.70. Money Market liquidity remained calm throughout the day. SBP conducted OMO (MOP UP) for 7 days in which SBP accepted PKR 499bn at the cut off of 10.70%. Longer term PIB yields witnessed trivial fluctuations throughout the day; however minor activity was witnessed in recently issued 3 years PIBs.

Fixed Income:

The closing prices were:

Tenor	Bid	Offer
1 Year	11.20%	11.10%
2 Year	11.85%	11.75%
3 Year	12.05%	11.95%
5 Year	12.40%	12.30%
10 Year	12.95%	12.85%

Forex Market:

The Forex market witnessed high volatility today in the inter-bank market, the ready rate with the opening price of 141.36/38 but the market faced slight decline as the maximum exchanging was seen inside the scope of 141.30 and 141.32 but market again faced decline and closed around 141.29/31. Simultaneously, ready lowest trade was on 141.25 and highest was on 141.36. On other hand, the TOM witnessed high decline which started with bid of 141.48 and offer of 141.51 but the market faced decline as it falls to 141.15 and closed around 141.15/20. The market observed fluctuation in shorter tenors as initially the Sell/Buy trend prevails which maintained 1W, 2W & 1-M at their high levels but then sudden Buy/Sell pressure turned tenors to close at levels somehow same as the prior day. Moreover, longer tenors including 2M, 3M, 5M and 6-M witnessed Buy/Sell pressure with weak bids which made market to close somehow at lower level as to the prior day rates.