

Market Snapshot

Key Economic Indicators

| | |
|---------------------|-------------|
| Inflation CPI (YoY) | 8.8% |
| GDP Growth | 5.7% |
| Forex reserves | \$ 15.894bn |

Source: SBP

PSX INDEX

| | |
|---------------|----------|
| KSE 100 Index | 33442.10 |
|---------------|----------|

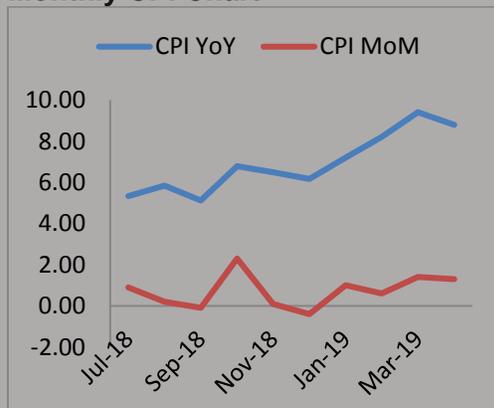
Source: PSX

Interest Rates

| | |
|-----------------|--------|
| Discount rate | 12.75% |
| KIBOR (1 Month) | 12.65% |
| KIBOR (3 Month) | 12.61% |
| KIBOR (6 Month) | 12.67% |
| KIBOR (9 Month) | 13.03% |
| KIBOR (1 Year) | 13.14% |

Source: SBP

Monthly CPI Chart



Source: ICON Research

IN FOCUS TODAY

Imports shrink, exports stagnate, FDI plummets: Current account deficit drops 27pc

The country's current account deficit (CAD) contracted by 27 per cent to \$11.586 billion during the first 10 months of the current fiscal year compared to \$15.864bn during the same period last fiscal year, according to latest data released by the State Bank of Pakistan. The CAD in April declined to \$1.24bn, down 45.4pc from \$2.275bn in April 2018. The CAD, during the last fiscal year, hit record high of \$18.619bn depleting reserves at roughly \$1.5bn per month stressing government's ability to payback liabilities. However, the government's efforts to compress imports in the ongoing fiscal year are finally bearing fruit as the total imports dipped to \$44.033bn, down 7.87pc against the same period last year.

Source: Dawn News

Foreign investment halves to \$1.4bn

As the government embarks on an arduous journey to fix the economic imbalances with the help of International Monetary Fund (IMF) bailout, the foreign direct investment (FDI) halved to \$1.376 billion during the first 10 months of this fiscal year from \$2.489bn in the corresponding period last year. The FDI inflows fell to \$101.8 million in April, down 42.6 per cent compared to \$177.5m in March and plunged by 55.2pc year-on-year compared to \$227.5m in April 2018. Inflows from China, leading investor in the country, declined by 72 per cent to \$429m during the July-April period compared to \$1.731bn in the same period last fiscal year as major infrastructure-related projects under the China-Pakistan Economic Corridor near completion. Sector-wise, construction led the chart attracting \$386.8m during the July-April period of 2018-19 followed by oil and gas exploration, financial business, and electrical machinery with \$287.3m, \$256.6m, and \$287.3m respectively. Power sector, however, witnessed an outflow of \$281m during the first 10 months against \$1bn FDI in the same period last year followed by net outflow of \$144m in the communication sector.

Source: Dawn News

Fiscal blowout as deficit jumps to 5pc, revenues flat

In the Pakistan Tehreek-i-Insaf's first year in office, the country's fiscal deficit in first three quarters (July-March) of the current fiscal year peaked to 5% of GDP as expenditures broke past records and revenue performance was the lowest almost in a decade. The details of fiscal operations released by the ministry of finance on Tuesday put the country's nine-month total fiscal deficit at Rs1.922 trillion – the highest 3rd quarter deficit recorded in a decade, which is the time period for which data is maintained on the ministry's website. It was Rs1.48tr in the same period last year. The data shows a sharp spike in the deficit in the third quarter, which runs from January to March 2019, of about Rs900bn or 2.3pc of GDP. The figure is only slightly smaller than the deficit of the first two quarters, running from July to December 2018, combined. For the first two quarters, the total deficit was Rs1.02tr or 2.7pc of GDP. The deficit jumped despite a steep fall of 34pc in development spending in the first nine months of the fiscal year.

Sources: Dawn News

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TREASURY MARKET UPDATES

Wednesday, May 22, 2019

Money Market Rates (%)

| Tenor | Bid | Offer |
|---------|-------|-------|
| 1 month | 12.10 | 12.20 |
| 3 month | 12.20 | 12.30 |
| 6 month | 12.40 | 12.50 |

Latest Cut-off Yields (T-Bills)

| | |
|-----------|-----------------|
| 3 Months | 11.2491% |
| 6 Months | No bid received |
| 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 | 24.5-25.5 | 26.5-27 |
| 2 Week | 43.5-44 | 52-53 |
| 1 Month | 94-96 | 101-103 |
| 2 Month | 187-189 | 191-195 |
| 3 Month | 275-280 | 280-282 |
| 4 Month | 360-364 | 378-381 |
| 5 Month | 450-453 | 467-470 |
| 6 Month | 538-540 | 535-555 |

Money Market:

Overnight interbank market rates initiated at the level of 12.00 - 12.20 and plunged afterwards to the level of 10.80-11.00. Market liquidity remained calm as the market goes through the first week of CRR averaging today. SBP conducted an OMO (MOPUP) for two days which wiped out 68bn at the cut-off rate of 12.20. Longer term PIB yields witnessed an upwards trend throughout a day after SBP announced MPS ; recently issued 3 and 5 years PIBs remained active throughout the day. Closing prices for When-Issue PIBs are 13.30-13.20, 13.50-13.45 and 13.90-13.80 for 3, 5 and 10 years.

Fixed Income:

The closing prices were:

| Tenor | Bid | Offer |
|---------|--------|--------|
| 1 Year | 12.70% | 12.60% |
| 2 Year | 13.00% | 12.90% |
| 3 Year | 13.30% | 13.20% |
| 5 Year | 13.55% | 13.45% |
| 10 Year | 13.90% | 13.80% |

Forex Market:

The Forex market witnessed high fluctuation movement today in the inter-bank market as the ready rate with the opening price of 150/151.50 and the maximum exchanging was seen inside the scope of 151.25 and closed around 152.10/152.25. Simultaneously, ready lowest trade was on 151.50 and highest was on 152.50. On other hand, the TOM also witnessed high movement which started with bid of 152.0375 and offer of 152.04 and closed around 152. The market observed high fluctuation in shorter tenors including 1W, 2W, 1-M as initially market observed Buy/Sell pressure in shorter tenors but market regains its Sell/Buy pressure and tenors close at upper level as compared to prior day. Moreover, longer tenors including 3-M, 4-M, 5-M and 6-M also initially faced Buy/Sell pressure then market experienced Sell/Buy pressure which drag them to close at lower level as the prior day. Overall, the forward premiums were trading at higher levels due to 150 BPs increase in policy rate by SBP.

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