

## FOREIGN EXCHANGE MARKET REVIEW

### Rupee tends to gain further strength

The month of October witnessed the further PKR appreciation as the USD/PKR parity initiated with 156.50 and fluctuates around 156.35/50 but the PKR gains strength based upon flexible market forces and touched 156.00 and at a certain point trading remained between 155.85/90 with month end to trade around 155.65/75 which exhibits a success of major government incentives for country's export oriented sectors. The Major developments this month were that the federal government has decided in principle that foreigners who invest in Special Economic Zones (SEZs) will be entitled to 100% ownership and there will be no condition regarding the minimum amount of investment. Secondly, Pakistan has succeeded in convincing Saudi Arabia to provide a loan of 131.125 million Saudi riyal for the construction of Jagran-IV Hydropower Project. But Pakistan has also been surrounded by complex challenges which includes IMF estimation that Pakistan's economy would slow down to 2.4 per cent in 2020 and the FATF has decided in principle that Pakistan will remain on its grey list till next February and directed Islamabad to take 'extra measures' for 'complete' elimination of terror financing and money laundering which has caused SBP to issue fresh instructions to banks to strengthen their vigilance system to mitigate the risk of money laundering and terrorist financing in the name of import and export activities in the country. However, the CAD narrowed 80% to a 41-month low at \$259 million in September as compared with deficit stood at \$1.27 billion in the same month of last year. Whereas, Foreign Investment in Pakistan during the month of September, 2019 rose by 393%, from \$126.4 million in the same period of last year to \$622.6 million. The massive increase of 137% of foreign investment has been observed in the first quarter of FY20 to \$886.6 million.

Pakistan's Forex Reserves increased by USD 43.90 Million or 0.29% and the total liquid foreign reserves held by the country stood at USD 15,186.50 Million on Oct 18, 2019. The incline in reserves had impacted market since there was an ample inflow of dollars it reinforced the PKR appreciation but changed the dilemma of forward premiums which started to face immense decline due to exporter's excess booking of forward outright dollars in major banks of market and speculation that there should be a cut in forward policy rate of the country.

