

Fixed Income Monthly Review November-19

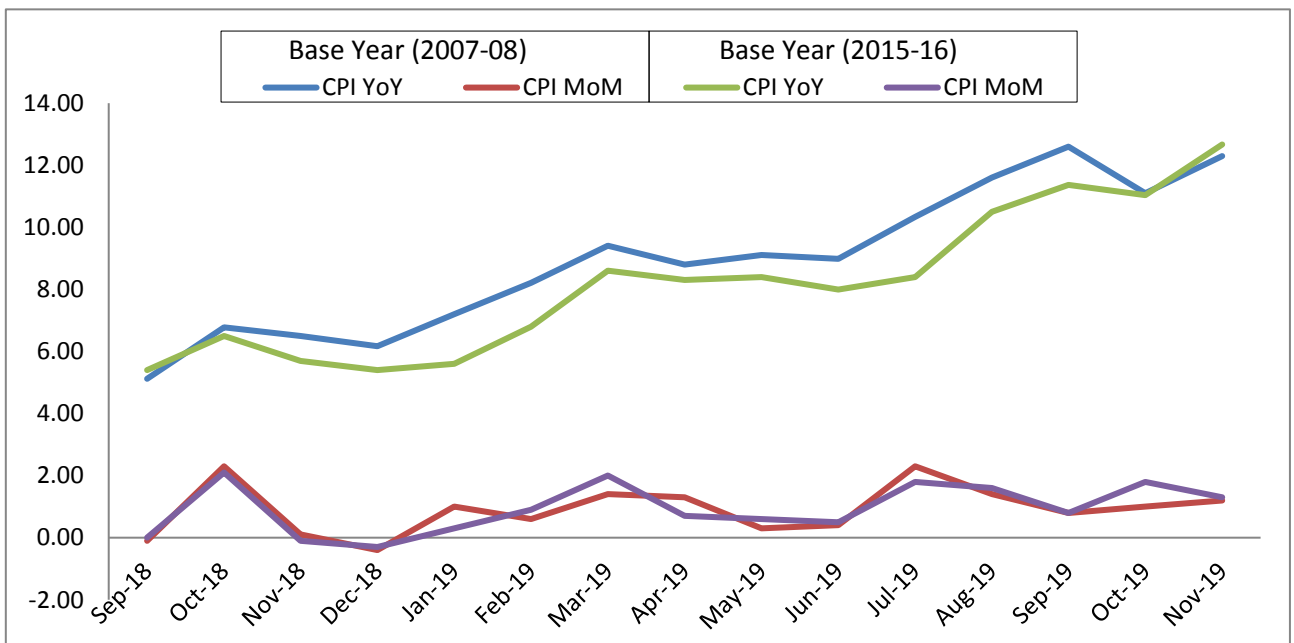
Economy gaining confidence

Pakistan gained quite an impactable view in the eyes of foreign investors as foreign inflows in government securities crossed \$1 billion, PSX index gained 5000 points this month and current account deficit turned positive for the first time after 3 years. Trade deficit of country shrunk by \$988 million in November 2019 and by \$5 billion during Jul-Nov 2019. FBR has collected 334 billion during the month of November, which is 17% higher than corresponding period of last year. Despite all these, country is facing an inflationary crunch due to rising food prices, high cost of production and strict IMF conditions to avail financing facility. SBP announced monetary policy in November, in which it has maintained interest rate at 13.25%.

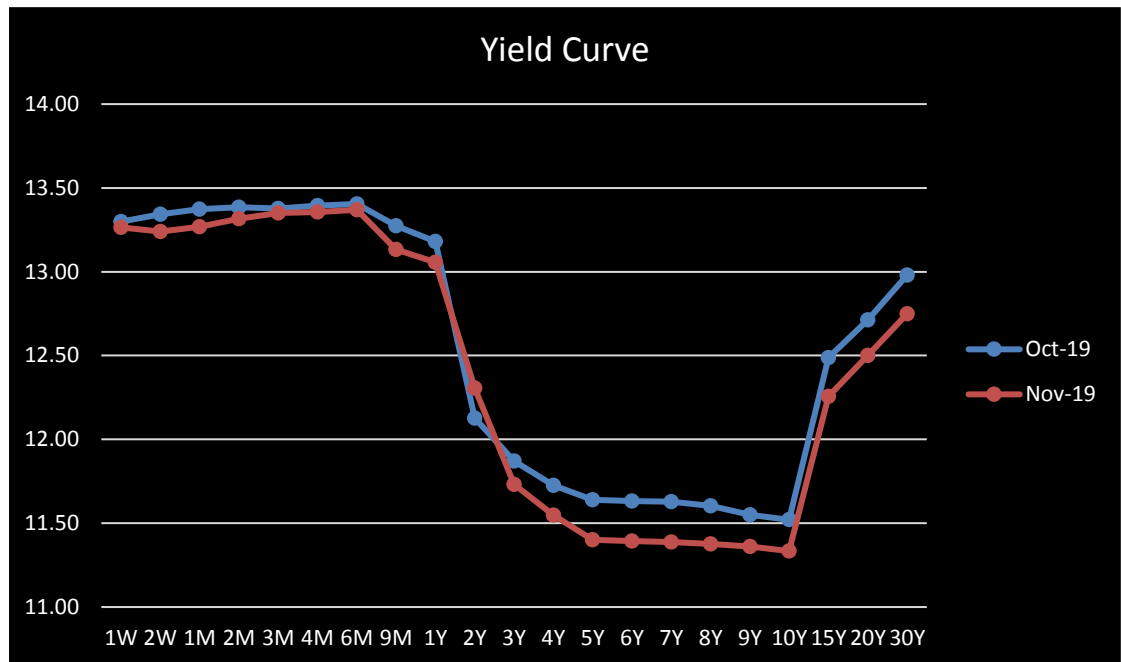
In a regular bond auction conducted on 14th November 2019, SBP received bids of PKR 113.03bn, 116.628bn and 40.16bn in 3Y, 5Y, and 10Y PIBs, which SBP has accepted PKR 53.148bn, 40.344bn and 20.205bn at rate of 11.7999%, 11.45% and 11.35% respectively, no bids were received in PIB 20Y. In PIB Floater SBP accepted PKR 54.1bn out of 128.1bn at the cut-off 101.7734.

In its routine MTB auctions conducted on 7th and 21st of November 2019, SBP received mild participation in auctions of 7th November. At the cutoff of 13.2902%, 13.2899% and 12.79%, SBP accepted bids amounting PKR 490.035bn in 3-month, 207.5bn in 6-month and 85.788bn in 12-month respectively. Furthermore, in November 21st auction, SBP accepted PKR 173.519bn in 3-months, 14.579bn in 6-months and 40.066bn in 12-months at the level of 13.5899%, 13.2899% and 13.2499% respectively.

Market liquidity remained calm throughout the month as the Central Bank managed liquidity through frequent OMOs, SBP continued to conduct regular OMO (Injection) to stabilize the liquidity condition. Headline inflation for the month of November grew at 12.67%.



Yield Curve Oct-19 vs. Nov-19:



OMO History Nov-2019:

(All amounts in million PKR)

Date	Injection		Mop up		Tenor (Days)	Cut off
	Offered	Accepted	Offered	Accepted		
1-Nov-19	668,350	646,350	-	-	7	13.29%
8-Nov-19	476,150	476,150	-	-	7	13.29%
14-Nov-19	319,000	300,000	-	-	1	13.30%
15-Nov-19	580,850	575,850	-	-	7	13.29%
22-Nov-19	674,550	649,900	-	-	7	13.29%
28-Nov-19	76,000	50,000	-	-	1	13.34%
29-Nov-19	628,650	425,000	-	-	7	13.29%

Source: SBP

SBP Overnight Repo/Reverse Repo Facility-History:

(All amounts in million PKR)

Date	Floor	Ceiling
6-Nov-19	-	4,400
14-Nov-19	20,700	-
21-Nov-19	-	21,000
28-Nov-19	9,000	-

Source: SBP