

## Fixed Income Monthly Review October-19

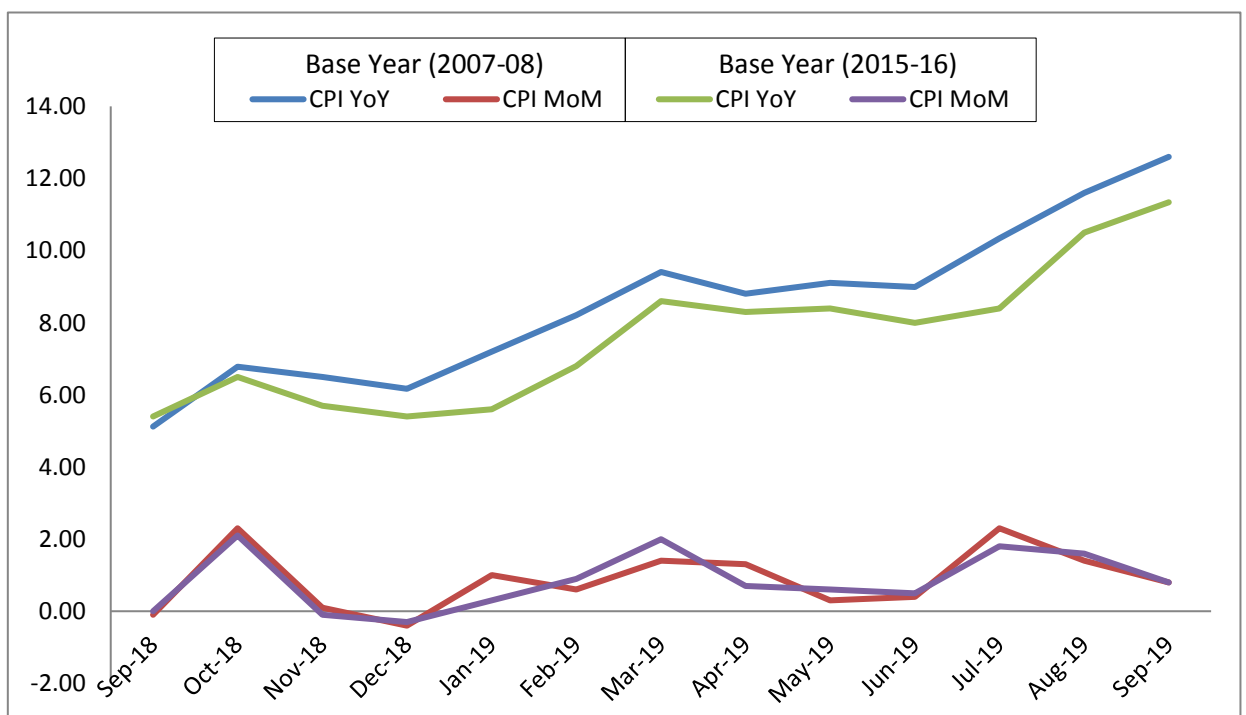
### *Economy bounded by Challenges*

Pakistan's economy is fronting challenges of fiscal consolidation, political stabilization, and inflationary pressure due to fiscal imbalances. The major challenge faced by government is prevention from being blacklisted by Asia Pacific Group for FATF. In last meeting of APG, Pakistan remained in the gray list of FATF, they are given an opportunity to improve and fulfill all conditionalities till February 2020. On fiscal fronts, government tax collection was recorded at Rs1.28trillion for the period of Jul-Oct 2019 against the target of Rs1.447trillion, in which government fell short by Rs167 billion. On the brighter side, trade deficit narrowed to \$11.7 billion, which was largely due to the plunge in imports. Imports and exports for the period of Jul-Oct stood at \$15.3 billion and \$7.5 billion. Recently, IMF is on a visit to Pakistan for reviewing the first quarter of EFF Program. IMF also appreciated Pak's Fiscal Fund Managers for improvement on external fronts, and advised to spend more on internal development.

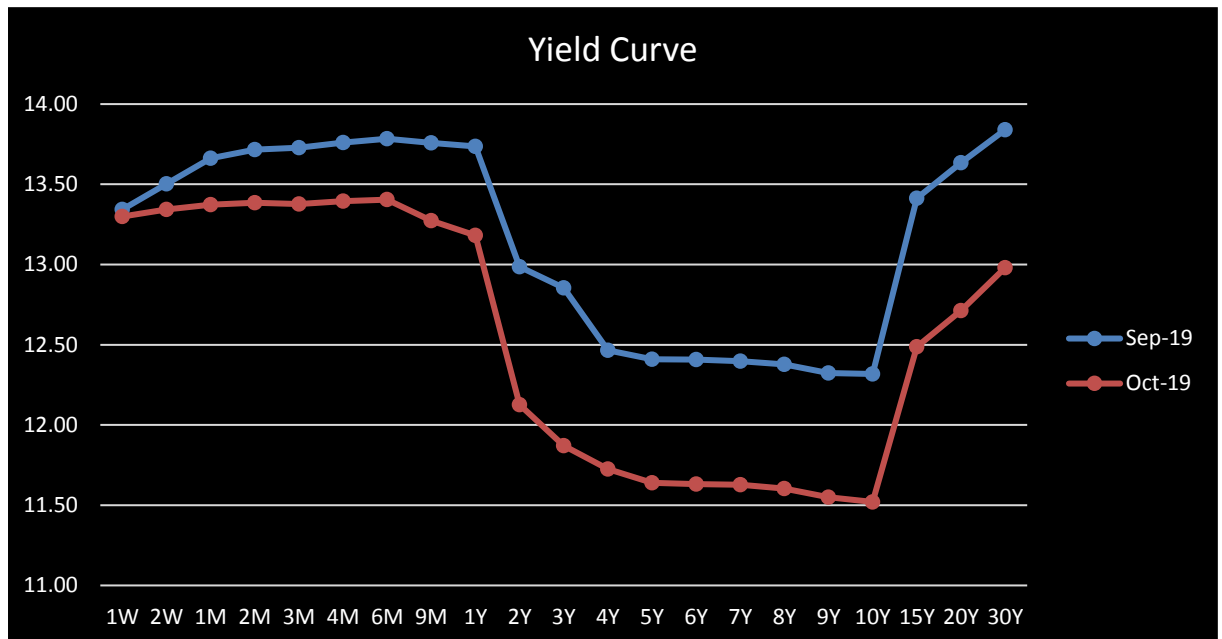
In a regular bond auction conducted on 30<sup>th</sup> October 2019, SBP received bids of PKR 147.268bn, 120.615bn, 124.541bn and 500mn in 3Y, 5Y, 10Y and 20Y PIBs, which SBP has accepted PKR 40.677bn, 30.312bn and 30.924bn at rate of 11.80%, 11.60% and 11.35% respectively, however bids in 20Y PIB were rejected. In PIB Floater SBP accepted PKR 54.4bn out of 198.157bn at the cut-off 102.2282.

In its routine MTB auctions conducted on 10<sup>th</sup> and 24<sup>th</sup> of October 2019, SBP received mild participation in auctions of 10<sup>th</sup> October. At the cutoff of 13.6898%, 13.5549% and 13.4699%, SBP accepted bids amounting PKR 321.03bn in 3-month, 0.50bn in 6-month and 490.9bn in 12-month respectively. Furthermore, in October 24<sup>th</sup> auction, SBP accepted PKR 135.128bn in 3-months, 171.925bn in 6-months and 186.326bn in 12-months at the level of 13.2981%, 13.2999% and 12.79% 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 October has not been announced yet, however it is expected that the CPI will hover around **10.20%-10.30%**.



### Yield Curve Sep-19 vs. Oct-19:



### OMO History Oct-2019:

(All amounts in million PKR)

Date	Injection		Mop up		Tenor (Days)	Cut off
	Offered	Accepted	Offered	Accepted		
1-Oct-19	266,500	256,500	-	-	3	13.32%
4-Oct-19	2,217,300	2,217,300	-	-	7	13.30%
7-Oct-19	97,200	97,200	-	-	4	13.29%
8-Oct-19	2,500	2,500	-	-	3	13.30%
11-Oct-19	987,550	987,550	-	-	7	13.29%
17-Oct-19	84,900	55,000	-	-	1	13.36%
18-Oct-19	1,020,500	1,020,500	-	-	7	13.29%
25-Oct-19	612,200	604,700	-	-	7	13.29%
31-Oct-19	-	-	125,000	26,000	1	13.19%

Source: SBP

### SBP Overnight Repo/Reverse Repo Facility-History:

(All amounts in million PKR)

Date	Floor	Ceiling
3-Oct-19	15,500	-
17-Oct-19	-	22,300
24-Oct-19	50,000	-
25-Oct-19	10,500	15,000
29-Oct-19	23,700	-
30-Oct-19	103,750	-
31-Oct-19	11,000	39,100

Source: SBP