

Fixed Income Monthly Review September-19

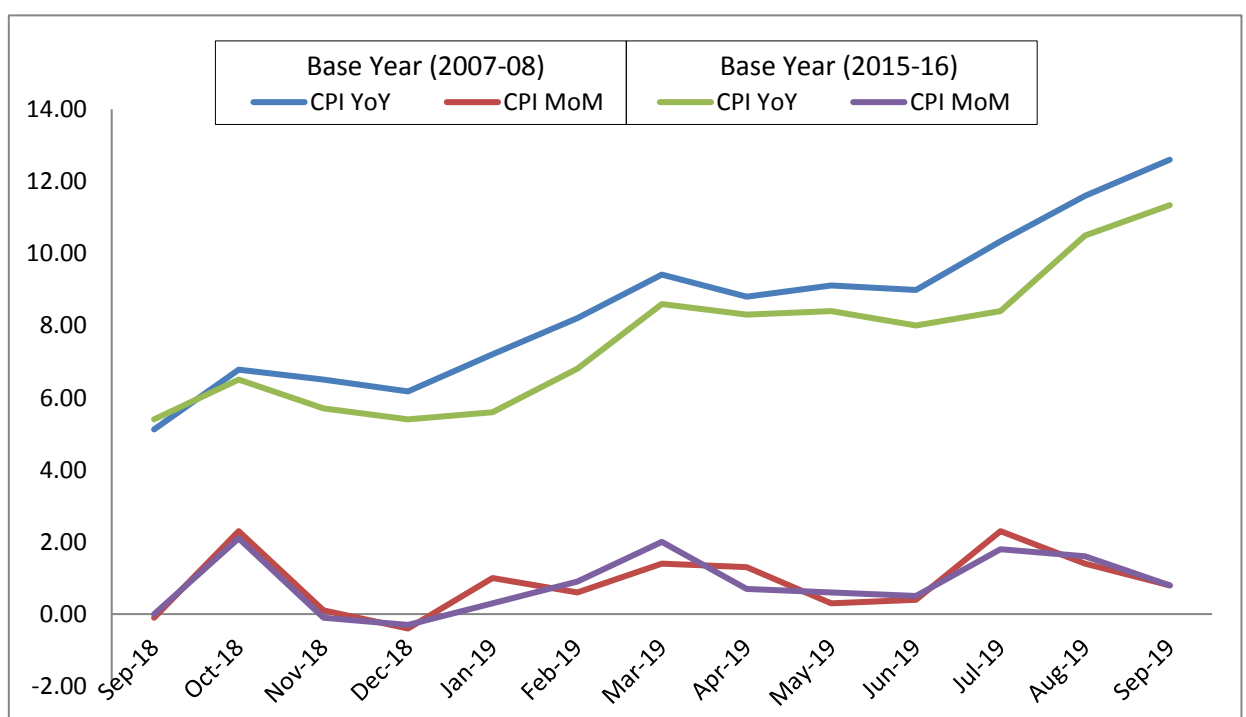
High shorter-tenor yields and Low longer-tenor yields

Market sentiments were mostly towards longer tenor, as it expected policy rate to cut down in coming MPS, which can be observed in the last T-bill and PIB auction. PIB yields started to decline around 114bps to 60bps in 3-year, 5-year and 10-year, before the MPS announcement. In the Monetary policy, SBP maintained key policy rate to 13.25%. The decision reflected the MPC's view that inflation outcomes have largely been as expected and inflation projections for FY20 have remained unchanged since the last MPC meeting on 16th July, 2019. PBS has changed base year for calculating headline inflation, due to this decision the CPI for August 2019 was 10.50% (base year 2015-16), whereas calculating inflation with base year 2007-08, CPI hover at 11.60%. As the month started, prices of petroleum products reduced by Rs4.79 per litre of petrol to Rs113.24 per litre and Rs5.33 per litre of HSD to Rs127.14 per litre.

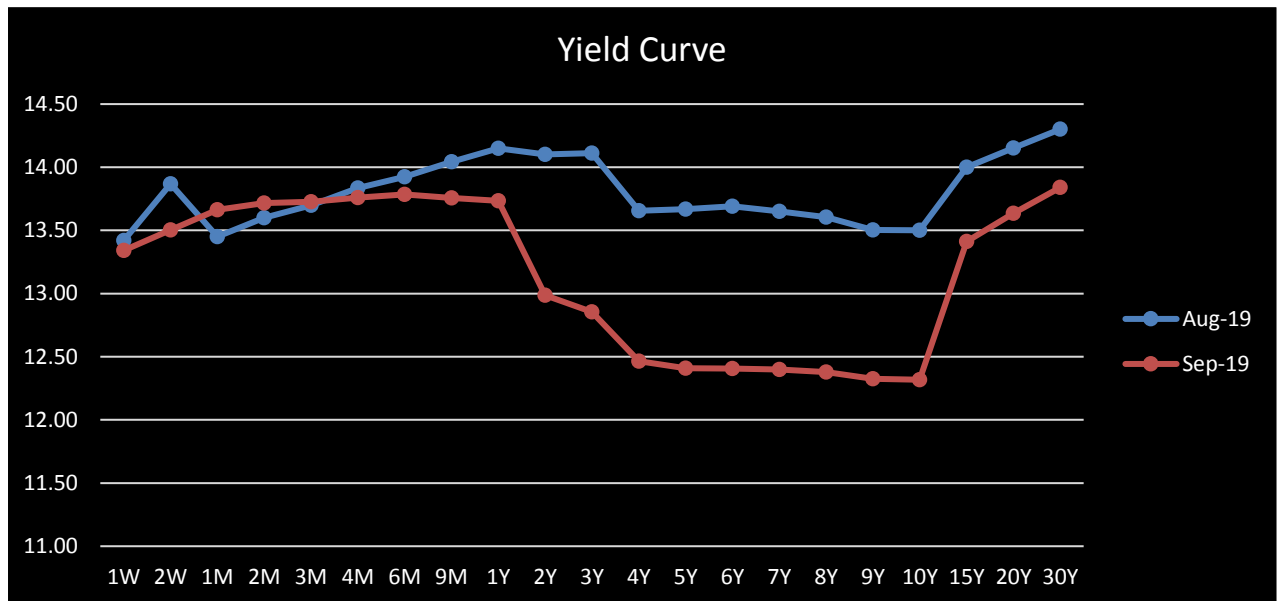
In a regular bond auction conducted on 19th September 2019, SBP received bids of PKR 384.188bn, 195bn, 203.6bn and 5bn in 3Y, 5Y, 10Y and 20Y PIBs, which SBP has accepted PKR 69.097bn, 68.274bn and 45.8bn at rate of 12.95%, 12.50% and 12.2483% respectively, however bids in 20Y PIB were rejected. In PIB Floater SBP accepted PKR 91.2bn out of 158.5bn at the cut-off 100.483.

In its routine MTB auctions conducted on 11th and 25th of September 2019, SBP received mild participation in auctions of 11th September. At the cutoff of 13.7397%, 13.9291% and 13.93%, SBP accepted bids amounting PKR 52.352bn in 3-month, 65.07bn in 6-month and 350bn in 12-month respectively. Furthermore, in September 25th auction, SBP accepted PKR 107.7bn in 3-months, 20bn in 6-months and 403.7bn in 12-months at the level of 13.73%, 13.8390% and 13.8499% respectively.

Market liquidity remained tight throughout the month as the Central Bank managed liquidity through frequent OMOs, SBP continued to conduct regular OMO (Injection) to stabilize the liquidity condition. PBS announced CPI of 11.34% for the month of September on YoY basis, and increase of 0.8% on MoM basis.



Yield Curve Aug-19 vs. Sep-19:



OMO History Sep-2019:

(All amounts in million PKR)

Date	Injection		Mop up		Tenor (Days)	Cut off
	Offered	Accepted	Offered	Accepted		
6-Sep-19	1,212,995	1,212,995	-	-	7	13.32%
11-Sep-19	166,950	166,950	-	-	9	13.32%
12-Sep-19	366,350	356,350	-	-	8	13.32%
13-Sep-19	1,049,700	1,049,700	-	-	7	13.32%
19-Sep-19	350,200	337,200	-	-	1	13.36%
20-Sep-19	1,810,100	1,810,100	-	-	7	13.32%
23-Sep-19	53,300	53,300	-	-	4	13.35%
24-Sep-19	12,000	12,000	-	-	3	13.35%
26-Sep-19	348,100	348,100	-	-	4	13.26%
27-Sep-19	1,805,750	1,805,750	-	-	7	13.29%
30-Sep-19	275,050	165,000	-	-	4	13.36%

Source: SBP

SBP Overnight Repo/Reverse Repo Facility-History:

(All amounts in million PKR)

Date	Ceiling	Floor
4-Sep-19	-	36,100
5-Sep-19	-	57,300
6-Sep-19	7,000	-
19-Sep-19	28,100	-
30-Sep-19	132,050	-

Source: SBP