

**FOREIGN EXCHANGE MARKET REVIEW**  
**PKR appreciation with depreciating forward premiums**

The month of August witnessed roller coaster of ready dollar, PKR depreciated at the starting phase which maintained its level against dollar, later during the last session of the month PKR gained strength by 1.5 rupee subject to the supply of ready dollar due to the ongoing export's increasing trend contributed by the hike of exports in July by 25.14% compared to June resulted current account balance into a surplus of \$424 million for the month of July. Another reason assisted in PKR appreciation was the approval of issuing the rupee denominated bonds to brace local currency and capital markets by Asian Development bank. Ready started with the opening price of 166.70/167.00 and closed at the level of 166.20/30 along with the lowest and highest rate traded at 165.70 and 168.75 respectively. During the month, country experienced several points; Firstly, The Asian Development Bank (ADB) has placed Pakistan among the five worst-affected Asian economies with the anticipation that workers' remittances may be hit by a massive 27% due to loss of jobs and drop in income of expatriates, mainly in the oil-producing and exporting nations. Appreciatively, Pakistan received remittances of \$2.768 billion in the first month of the new fiscal year, highest ever amount in one month in the history of Pakistan. Secondly, Moody's Investors Service - one of the world's top three credit rating agencies reaffirmed Pakistan's stable outlook, meaning it is capable of paying back its foreign debt, after placing the country under review for downgrade amid the coronavirus pandemic. Moreover, The Fitch Ratings also affirmed Pakistan's long-term foreign-currency issuer default rating (IDR) at 'B-' with a stable outlook saying the government's good economic policy actions helped resisting the shocks of corona virus pandemic.

Pakistan's Forex Reserves held by the country stood at USD 19.7224 Billion on August 21, 2020, state bank reserves increased by USD 98.6 Million while reserves held by the commercial banks increased by USD 25.2 Million compared to last month. Initially market in forward premiums observed inclining trend but soon started to decline due to the Buy/Sell pressure of longer tenors. Ready dollar depreciated by around 1.5 rupee in the last phase of the month, with the prediction of shorter premiums to increase due to Sell/Buy pressure.



