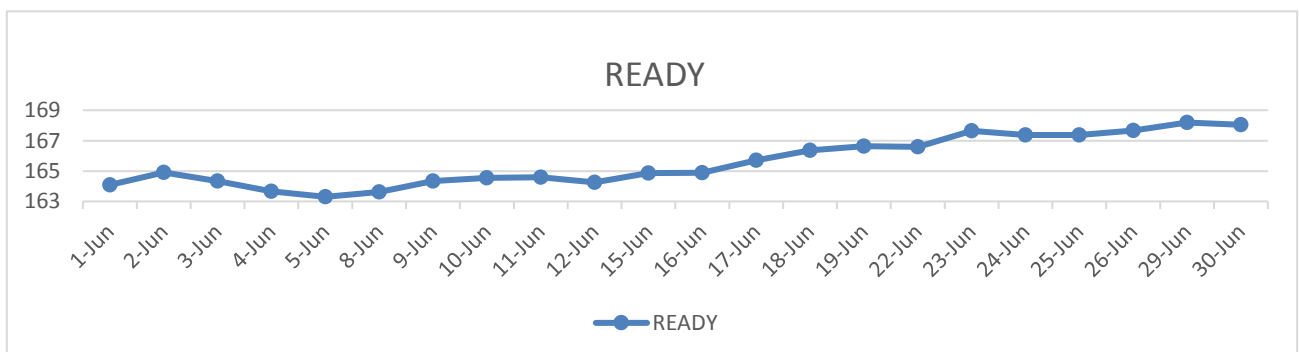
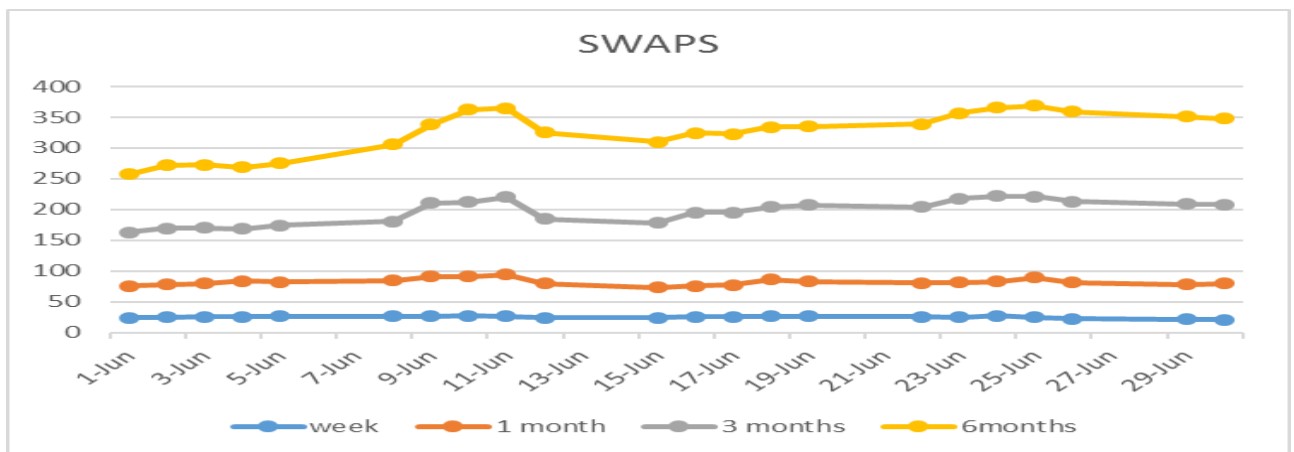


FOREIGN EXCHANGE MARKET REVIEW

Declining premiums with PKR devaluation

The month of June witnessed devaluation of Pakistani rupee against dollar as it began with 161.90/162.00 and touched all time high at 168.25 with the month closing rate at 168.00/168.10, reason being the government external debt payments, created demand for ready dollar. During the month, IMF revised the GDP growth rate target for Pakistan declined from 2% to 1% for the next fiscal year 2020-21. Secondly, Pakistan got a major facility by rescheduling its USD 2.41 billion worth of debt repayments in 2020 under the Debt Service Suspension Initiative; a move will help the country mount an "effective response" to COVID-19. Positively, Pakistan received totaled \$3 billion as loans from multilateral agencies \$1.3 Billion from Chinese Bank additionally, \$500 million each from the Asian Infrastructure Investment Bank (AIIB), World Bank and \$725 million from Asian Development Bank to help the country's coronavirus health and economic response and "protect poor" citizens. Moreover, the country's current account deficit narrowed to \$3.28 billion in the first eleven months of current fiscal year, with the surplus of \$13 million in May against a deficit of \$350m in the previous month contributed by the increase in exports from \$957 Mn in April to \$1396 Mn export of May. However, imports shown declining trend for the month of May by 10.64% compared to April. Whereas, total amount remitted by overseas Pakistani during July-May FY20 was USD 20.6545 billion compared to USD 20.1031 billion from the corresponding period of FY19 which showed an increase of USD 551.43 million or 2.74 percent.

Pakistan's Forex Reserves held by the country stood at USD 16,730.1 Million on June 19, 2020, State bank reserves decreased by USD 400.9 Million while reserves held by the commercial banks increased by USD 188.1 Million compared to last month. Sell/Buy pressure being observed initially in shorter and longer premium, reason being the inclining reserves held by the commercial bank, but since SBP announced 100 basis point cut in policy rate at 7%, forward premiums started to show a declining trend.



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