

Fixed Income Monthly Review Aug-20

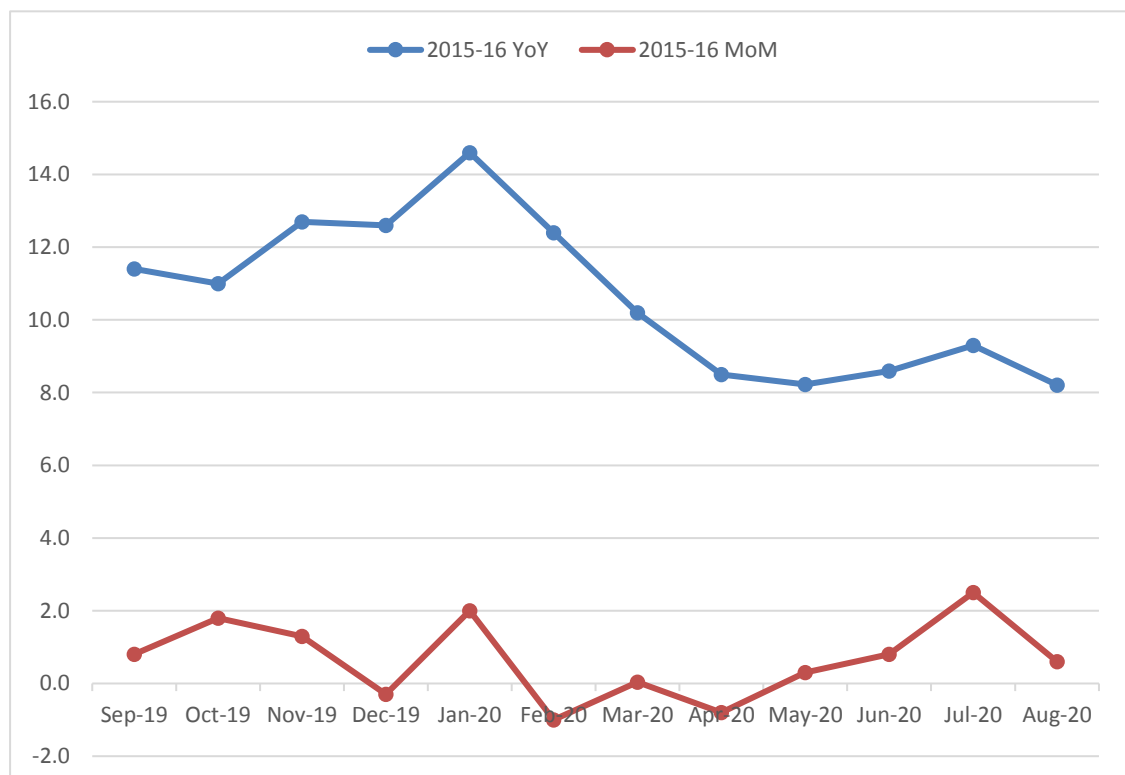
Progressive External Factors

As Covid pandemic deteriorated, economy started to revive. External factors showed signs of improvement, Current account turned positive and remittances recorded at historical high. Moreover, revenue authorities collected tax beyond target. Last few auctions of government securities depicted that MoF is least interested at high cost of borrowing; however, market requires attractive returns on long term investments.

In a regular bond auction conducted on 20th Aug 2020, SBP received bids of PKR 41.215bn, 33.68bn, 11.20bn, 12bn and 10bn in 3Y, 5Y, 10Y, 15Y and 20Y PIBs, which SBP has accepted 3Y PKR 22.46bn, 5Y 334mn, 10Y 55mn, 15Y 12bn and 20Y 10mn at rate of 8.20%, 8.45%, 8.99%, 9.98% and 10.55% respectively. In auction of PIB Floater on 12th Aug 2020, SBP accepted PKR 49.57bn in 3Y, and 10bn in 5Y, while bids in 10Y was rejected. In auction of PIB Floater on 26th Aug 2020, SBP accepted PKR 77.155bn in 3Y, 5.35bn in 5Y and 5.02bn in 10Y at price of 100.3511, 100.4496 and 101.0430 respectively.

In its routine MTB auctions conducted on 12th, and 26th of August 2020, SBP received mild participation in auctions of 12th August. At the cutoff of 6.99%, 7.18% and 7.15%, SBP accepted bids amounting PKR 41bn in 3-month, 18.23bn in 6-month and 225mn in 12-month respectively. Furthermore, in August 26th auction, SBP accepted PKR 273.5bn in 3-months, 209.2bn in 6-months and 65.05bn in 12-months at the level of 7.1498%, 7.18% and 7.30% 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 August recorded at 8.21%.



Yield Curve Jul -20 vs. Aug-20:



OMO History Aug-2020:

(All amounts in million PKR)

Date	Injection		Mop up		Tenor (Days)	Cut off
	Offered	Accepted	Offered	Accepted		
3-Aug-20	1,134,000	1,100,000	-	-	4	7.02%
6-Aug-20	-	-	30,500	20,000	1	6.89%
7-Aug-20	1,228,000	1,228,000	-	-	10	7.01%
17-Aug-20	1,214,900	1,214,900	-	-	4	7.02%
21-Aug-20	1,226,800	1,226,800	-	-	7	7.01%
20-Aug-20	1,162,650	1,032,650	-	-	4	7.03%

Source: SBP

SBP Overnight Repo/Reverse Repo Facility-History:

(All amounts in million PKR)

Date	Floor	Ceiling
13-Aug-20	12,000	-
17-Aug-20	11,000	-
13-Aug-20	22,500	-
20-Aug-20	-	5,500
28-Aug-20	32,000	40,200
20-Aug-20	-	109,000

Source: SBP