

Fixed Income Monthly Review Dec-20

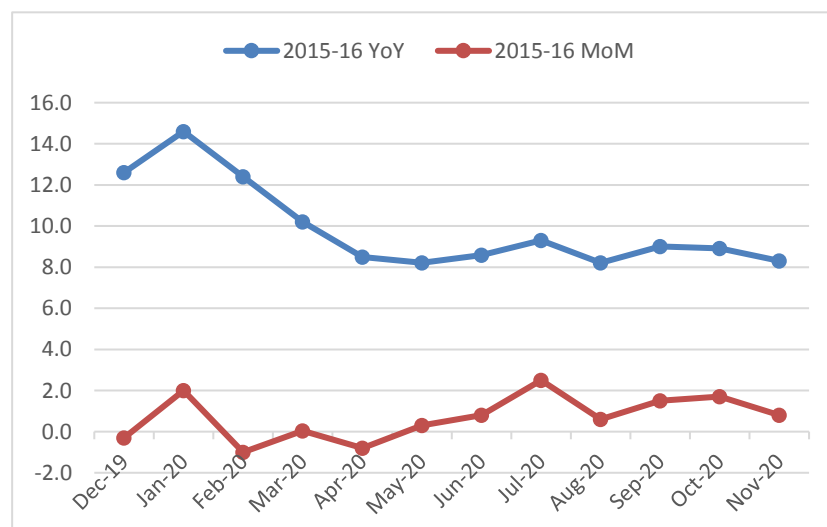
Economy on right path

Inflation decreased from 8.90% to 8.30% due to the early harvesting of new crops and import of wheat fulfilled the shortage in the market. Overall improvements have been observed in the economy's performance as remittances are growing gradually as well as current account balance shows surplus. However, circular debt has a negative impact on the government's performance because the hike has been noticed. Due to the Increase in petrol prices for the month of December 2020 as well as slightly increment is expected in coming month and food inflation are also there so the CPI might increase.

In a regular bond auction conducted on 09th Dec 2020, SBP received bids of PKR 16.25bn, 22bn, 10.50bn, 9.54bn and 8bn in 3Y, 5Y, 10Y, 15Y and 20Y PIBs, which SBP has accepted 3Y PKR 2.27bn, 15Y 3bn, and 20Y 8bn at rate of 8.24%, 10.00% and 10.58% respectively. SBP rejected bids in 5-year and 10-year PIB. In auction of PIB Floater Quarterly on 2nd Dec 2020, SBP accepted PKR 600mn in 2Y, 8.70bn in 3Y, 6bn in 5Y, and 8.50bn in 10Y at price of 99.6408, 99.2230, 98.0119 and 95.2731 respectively. In auction of PIB Floater Quarterly on 16th Dec 2020, SBP accepted PKR 1.15bn in 2Y, 15.03bn in 3Y and 7.04bn in 10Y at price of 99.6467, 99.2323 and 95.2853 respectively while SBP rejected bids in 5-year Floater Quarterly. In auction of PIB Floater Quarterly on 30th Dec 2020, SBP accepted PKR 10.66bn in 3Y at price of 98.9923. SBP rejected bids in 5-year and 10-year Floater Quarterly. In auction of PIB Floater Semi-annually on 30th Dec 2020, SBP accepted PKR 2.96bn in 3Y at price of 98.8132. All other Bids in Semiannual Floater were rejected.

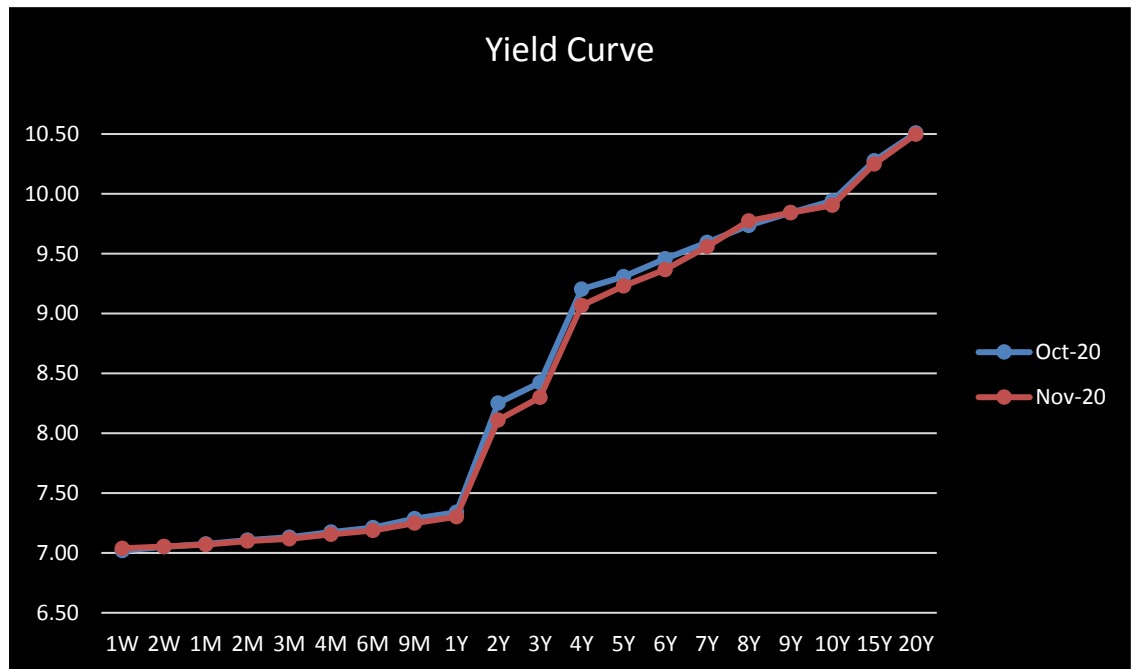
In its routine MTB auctions conducted on 2nd, 16th and 30th of December 2020, SBP received mild participation in auctions of 2nd December. At the cutoff of 7.14%, 7.18% and 7.30%, SBP accepted bids amounting PKR 322.35bn in 3-month, 50bn in 6-month and 10bn in 12-month respectively. In December 16th auction, SBP accepted PKR 321.75bn in 3-months, 21.24bn in 6-months and 12.41bn in 12-months at the level of 7.12%, 7.17% and 7.24% respectively. Furthermore, In December 30th auction, SBP accepted PKR 601.68bn in 3-months, 7bn in 6-months and 20.96bn in 12-months at the level of 7.15%, 7.20% and 7.29% respectively

Market liquidity remained calm throughout the month as 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 December recorded at 8.30%.



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Yield Curve Nov-20 vs. Dec-20:



OMO History Dec-2020:

(All amounts in million PKR)

Date	Injection		Mop up		Tenor (Days)	Cut off
	Offered	Accepted	Offered	Accepted		
04-Dec-20	715,600	715,600	-	-	7	7.03%
10-Dec-20	235,100	190,000	-	-	1	7.07%
11-Dec-20	842,050	842,050	-	-	7	7.02%
17-Dec-20	264,300	244,300	-	-	11	7.02%
18-Dec-20	698,350	683,350	-	-	10	7.03%
24-Dec-20	159,000	75,000	-	-	4	7.10%
28-Dec-20	870,450	870,450	-	-	7	7.03%

Source: SBP

SBP Overnight Repo/Reverse Repo Facility-History:

(All amounts in million PKR)

Date	Floor	Ceiling
08-Dec-20	-	3,500
09-Dec-20	-	4,000
10-Dec-20	-	14,000
24-Dec-20	35,000	52,000

Source: SBP