

Fixed Income Monthly Review February-20

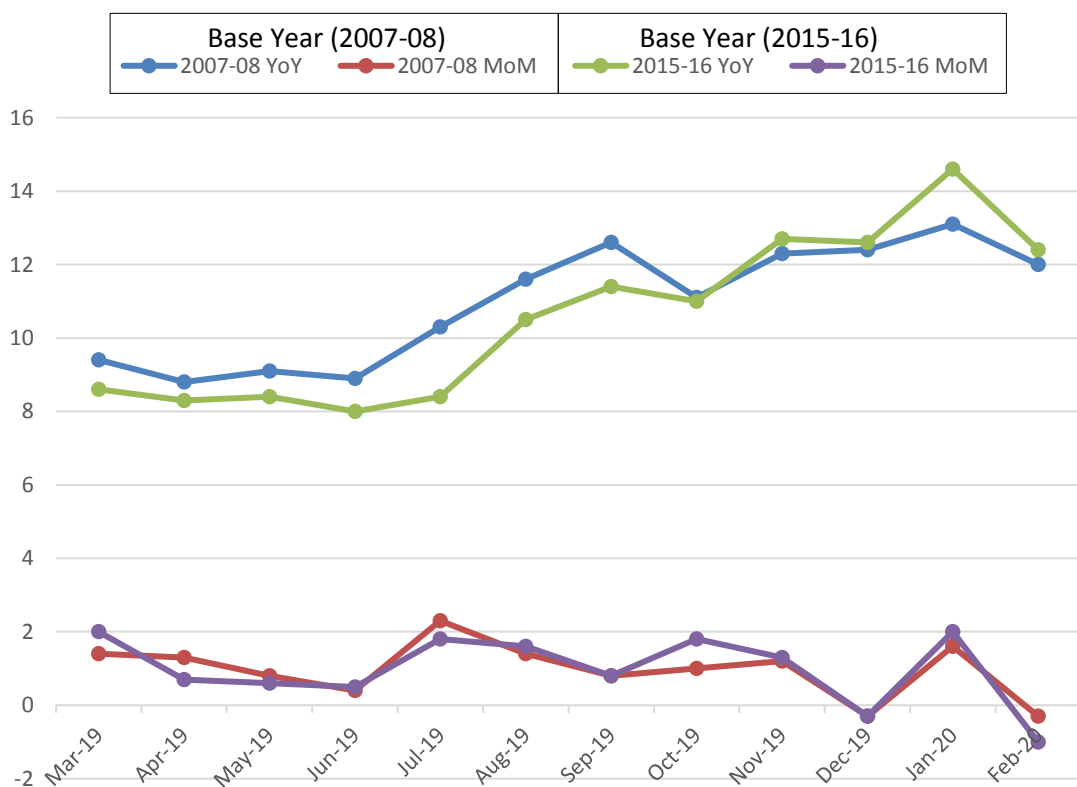
Pakistan to stay on Grey List

Financial position indicated a positive growth in the eyes of foreign investors as portfolio investment in the period of Jul-Feb stated the net inflow of \$3.075 billion in SCRA. It seems due to higher interest rate environment of country; inflow of hot money will further surge in coming months if foreign currency remained stable. The Global watchdog on anti-money laundering to hold Pakistan on “Grey List” till the next meeting of FATF, furthermore IMF have delayed third tranche of \$450mn till April 2020. Average inflation for the period of Jul-Feb surge around 11.70%. During the month of February 2020, PIBs witnessed variation and witnessed downward trend as 3Y and 5Y PIB yield decreased 10 to 15 bps.

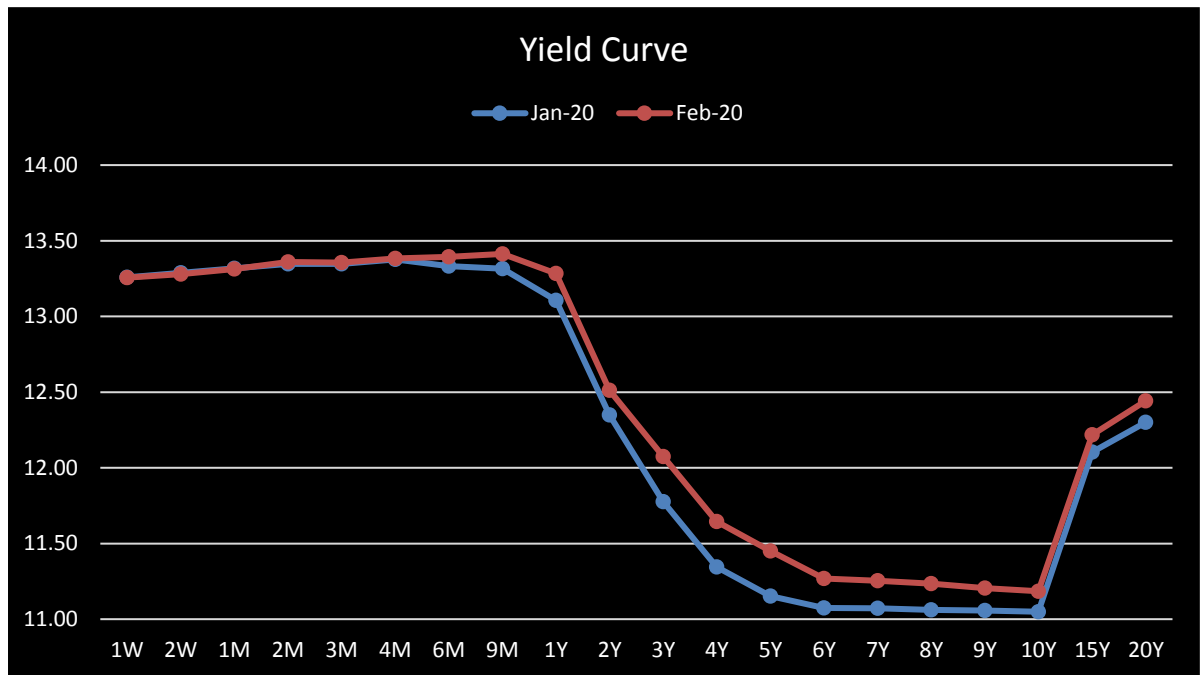
In a regular bond auction conducted on 4th February 2020, SBP received bids of PKR 41.45bn, 49.2bn, 34.66bn and 1.5bn in 3Y, 5Y, 10Y and 20Y PIBs, which SBP has accepted PKR 19.6bn, 29.67bn and 10.21bn at rate of 12.05%, 11.40% and 11.00% respectively, bids in PIB 20Y were rejected. In PIB Floater, SBP accepted PKR 60.411bn out of 82.411bn at the cut-off 101.2532.

In its routine MTB auctions conducted on 13th, and 27th of February 2020, SBP received mild participation in auctions of 13th February. At the cutoff of 13.4149%, 13.2999% and 13.5199%, SBP accepted bids amounting PKR 142.6bn in 3-month, 1.7bn in 6-month and 130.26bn in 12-month respectively. Furthermore, in February 27th auction, SBP accepted PKR 131.03bn in 3-months, 2bn in 6-months and 255.01bn in 12-months at the level of 13.3899%, 13.3401% and 13.33% 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 January recorded at 12.40%.



Yield Curve Jan -20 vs. Feb-20:



OMO History Feb-2020:

(All amounts in million PKR)

Date	Injection		Mop up		Tenor (Days)	Cut off
	Offered	Accepted	Offered	Accepted		
6-Feb-20	275,450	275,450	-	-	1	13.30%
7-Feb-20	797,550	797,550	-	-	7	13.26%
14-Feb-20	750,350	750,350	-	-	7	13.26%
20-Feb-20	272,000	220,000	-	-	1	13.29%
21-Feb-20	830,050	725,000	-	-	7	13.27%
28-Feb-20	843,600	740,500	-	-	7	13.28%

Source: SBP

SBP Overnight Repo/Reverse Repo Facility-History:

(All amounts in million PKR)

Date	Floor	Ceiling
3-Feb-20	-	1,000
6-Feb-20	-	30,800
20-Feb-20	-	5,000
28-Feb-20	-	10,500

Source: SBP