

Fixed Income Monthly Review January-20

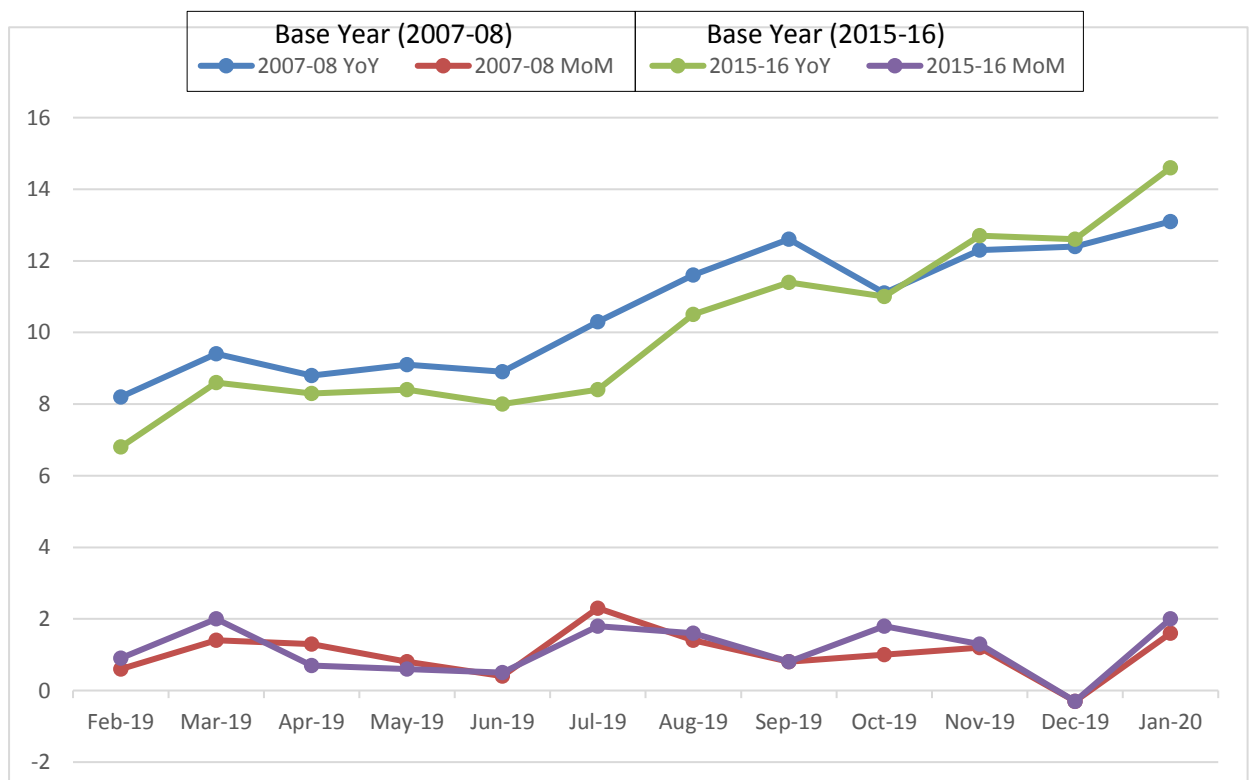
FY2020 Average inflation surge to 11.60%

Pakistan current account deficit improved by 66.5% during the first half of FY2020 as compared to the same period of FY2019. Financial position also indicated a positive growth in the eyes of foreign investors as portfolio investment in the period of Jul-Jan stated the net inflow of \$2.878 billion in SCRA. Moreover, many countries were inclined to improve trade relation with Pakistan in different sectors. However, average inflation for the period of Jul-Jan surge around 11.60% and SPB maintained policy rate at 13.25% for next two months. During the month of January 2020, PIBs witnessed an upward trend as 3Y and 5Y PIB yield increased 20 to 30 bps. In forward outlook, headline inflation remains moderately on higher side and key rate sustained till the end of FY2020.

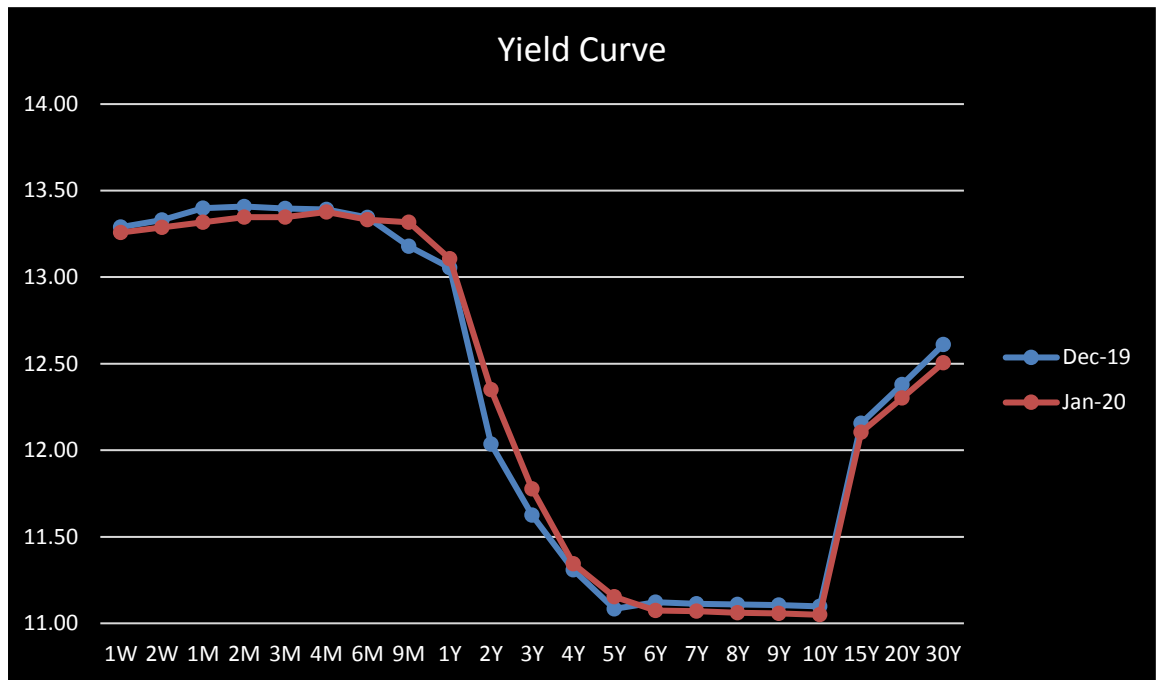
In a regular bond auction conducted on 9th January 2020, SBP received bids of PKR 72.39bn, 76.56bn, 22.89bn and 1.35bn in 3Y, 5Y, 10Y and 20Y PIBs, which SBP has accepted PKR 22bn, 51.756bn and 18.99bn at rate of 11.75%, 11.1939% and 10.90% respectively, bids in PIB 20Y were rejected. In PIB Floater, SBP accepted PKR 58.05bn out of 87.05bn at the cut-off 101.8843.

In its routine MTB auctions conducted on 2nd, 16th and 30th of January 2020, SBP received mild participation in auctions of 2nd January. At the cutoff of 13.4851%, 13.2899% and 13.1340%, SBP accepted bids amounting PKR 378.76bn in 3-month, 2.63bn in 6-month and 84.93bn in 12-month respectively. In auction of 16th January, SBP accepted 170.39bn in 3-month, 22.35bn in 6-month and 82.03bn in 12-month at the cutoff of 13.4694%, 13.2890% and 13.1340% respectively. Furthermore, in January 30th auction, SBP accepted PKR 472.13bn in 3-months, 19.47bn in 6-months and 98.87bn in 12-months at the level of 13.4296%, 13.2890% and 13.1340% 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 14.56%.



Yield Curve Dec -19 vs. Jan-20:



OMO History Jan-2020:

(All amounts in million PKR)

Date	Injection		Mop up		Tenor (Days)	Cut off
	Offered	Accepted	Offered	Accepted		
3-Jan-20	880,800	789,900	-	-	7	13.31%
7-Jan-20	62,300	62,300	-	-	3	13.28%
9-Jan-20	115,000	115,000	-	-	1	13.26%
10-Jan-20	1,060,700	1,055,700	-	-	7	13.28%
17-Jan-20	835,150	835,150	-	-	7	13.26%
21-Jan-20	138,000	126,000	-	-	3	13.28%
23-Jan-20	-	-	11,150	11,150	1	13.20%
24-Jan-20	731,500	731,500	-	-	7	13.26%
31-Jan-20	705,050	629,950	-	-	7	13.28%

Source: SBP

SBP Overnight Repo/Reverse Repo Facility-History:

(All amounts in million PKR)

Date	Floor	Ceiling
2-Jan-20	-	5,000
3-Jan-20	8,000	-
6-Jan-20	-	14,000
9-Jan-20	-	31,000
17-Jan-20	-	3,000
20-Jan-20	-	24,750
23-Jan-20	43,100	-

Source: SBP