

## Fixed Income Monthly Review Jul-20

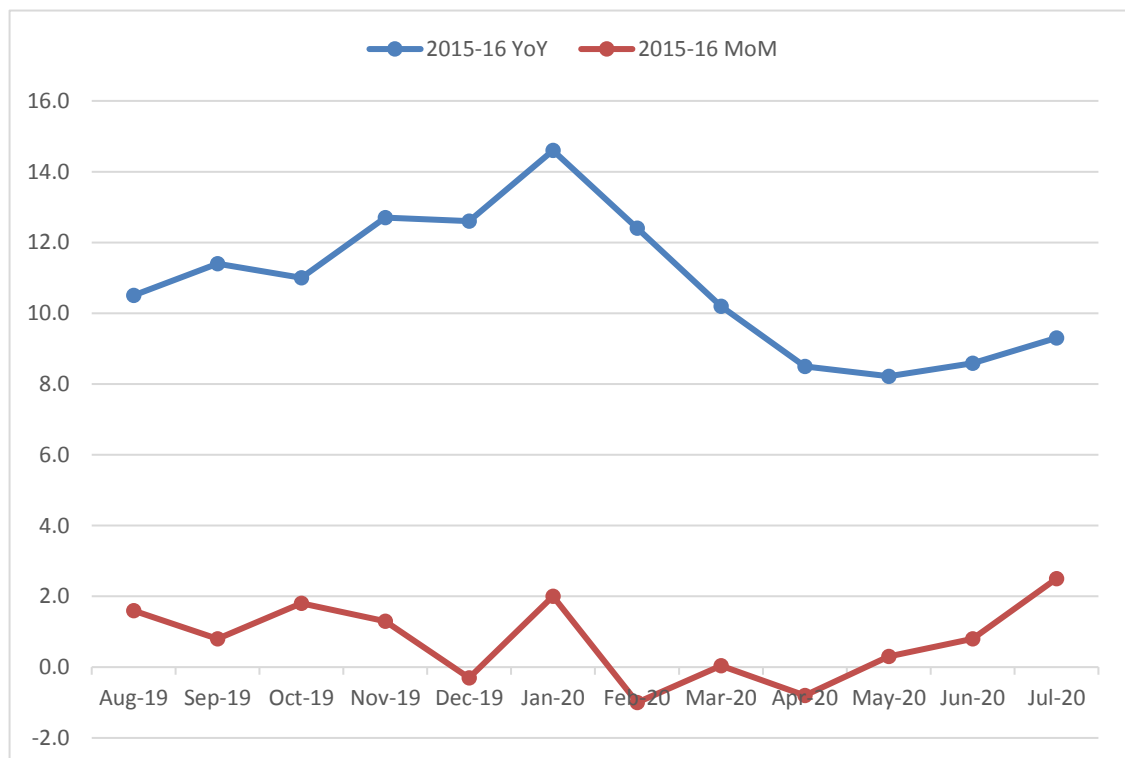
### *Minimal expectation for further reduction*

Ease in lockdown and low-cost funding schemes announced by SBP resulted in uplifting economy and support businesses. Festive month made tax collection to exceed by 57bn against target of 243bn. Monetary aggregates shows growth of 17.46% as it is reported 3,106 billion as compared to the last year which was 1,801bn. PBS reported headline inflation at 9.30%, it was due to high food inflation and supply side shocks. If the food inflation persists and oil prices remains on upward side, there is no sign for further cut in key rate.

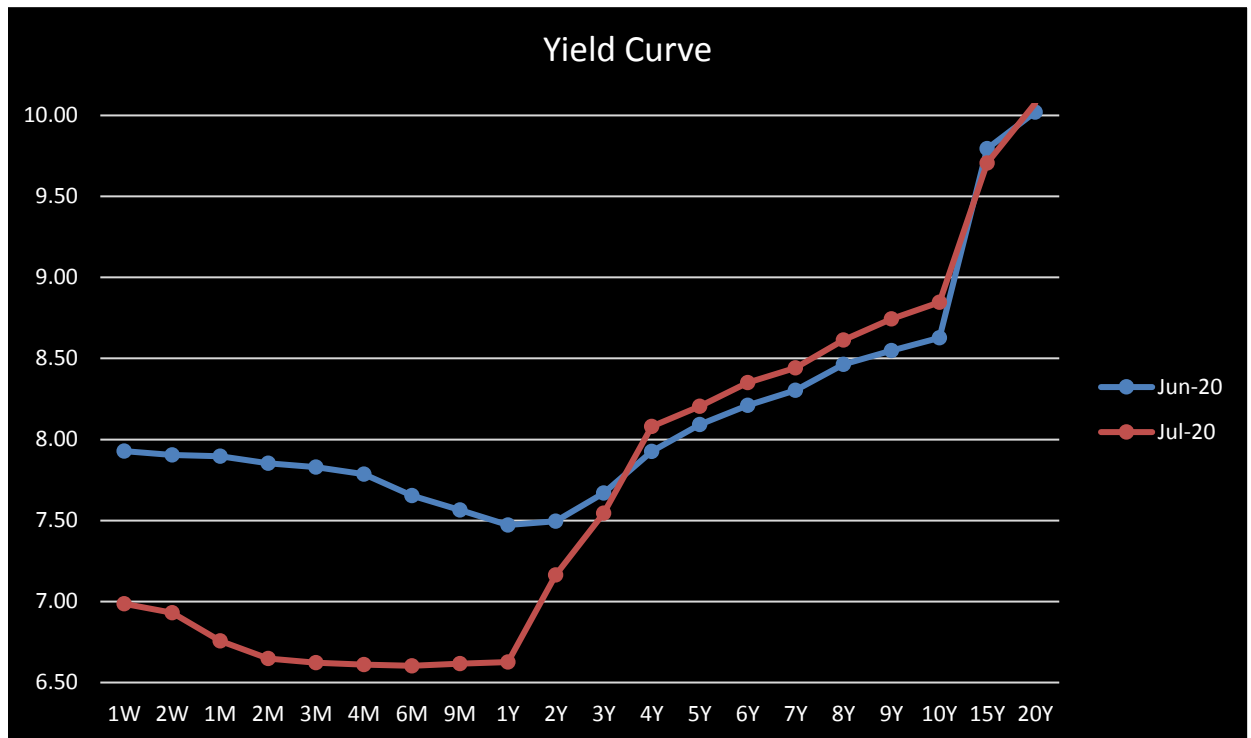
In a regular bond auction conducted on 21<sup>st</sup> Jul 2020, SBP received bids of PKR 128.5bn, 84.45bn, 36.02bn, 10bn and 5bn in 3Y, 5Y, 10Y, 15Y and 20Y PIBs, which SBP has accepted 3Y PKR 98.168bn, 5Y 57.74bn, 10Y 29.94bn, 15Y 10bn and 20Y 5mn at rate of 7.37%, 8.37%, 8.99%, 9.75% and 10.40% respectively. In auction of PIB Floater on 14<sup>th</sup> Jul 2020, SBP accepted PKR 150bn in 3Y, 76.71bn in 5Y and 46bn in 10Y at the cut-off price of 100.3736, 100.3877 and 100.6525 respectively. In auction of PIB Floater on 29<sup>th</sup> Jul 2020, SBP accepted PKR 61.55bn in 3Y, 58bn in 5Y and 10.7bn in 10Y at price of 100.4413, 100.4611 and 101.0536 respectively.

In its routine MTB auctions conducted on 16<sup>th</sup>, and 30<sup>th</sup> of July 2020, SBP received mild participation in auctions of 16<sup>th</sup> July. At the cutoff of 6.5598%, 6.57% and 6.6001%, SBP accepted bids amounting PKR 112.5bn in 3-month, 66.7bn in 6-month and 81.86bn in 12-month respectively. Furthermore, in June 30<sup>th</sup> auction, SBP accepted PKR 2.42bn in 3-months, 12.23bn in 6-months and 47.85bn in 12-months at the level of 7.7999%, 7.4847% and 7.36% 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 July recorded at 9.30%.



### Yield Curve Jun -20 vs. Jul-20:



### OMO History Jul-2020:

(All amounts in million PKR)

Date	Injection		Mop up		Tenor (Days)	Cut off
	Offered	Accepted	Offered	Accepted		
3-Jul-20	800,900	700,000	-	-	7	7.04%
7-Jul-20	145,000	117,000	-	-	3	7.07%
10-Jul-20	855,300	765,300	-	-	7	7.06%
14-Jul-20	70,000	70,000	-	-	3	7.01%
16-Jul-20	143,000	143,000	-	-	8	7.01%
17-Jul-20	921,500	900,000	-	-	7	7.01%
23-Jul-20	156,600	125,200	-	-	1	7.10%
24-Jul-20	1,031,550	1,031,550	-	-	10	7.01%
30-Jul-20	210,500	210,500	-	-	8	7.01%

Source: SBP

### SBP Overnight Repo/Reverse Repo Facility-History:

(All amounts in million PKR)

Date	Floor	Ceiling
9-Jul-20	-	13,400
10-Jul-20	-	6,000
16-Jul-20	-	12,000
23-Jul-20	-	1,500

Source: SBP