

Fixed Income Monthly Review May-20

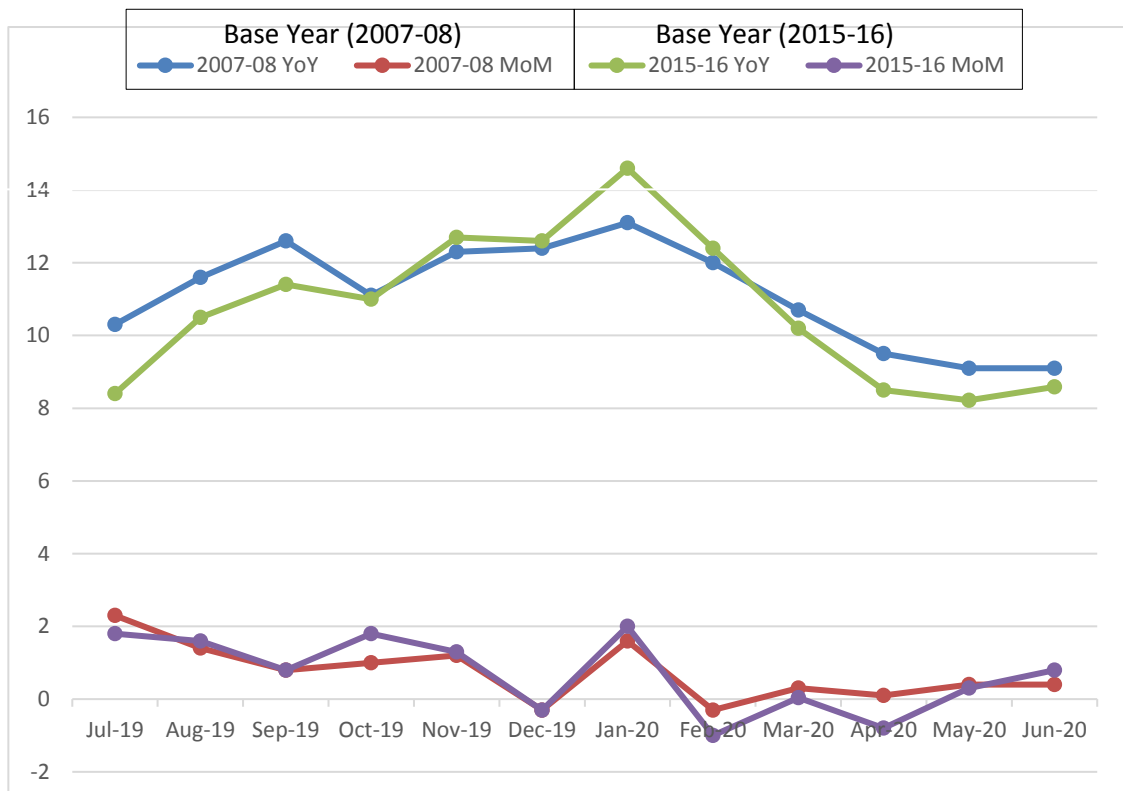
Economic downfall or tragedy

Economy was on a survival mode, as trade fell and unemployment grew drastically, reduction in policy rate was the last hope for loosing economy. In the month of June, Government tried to control inflation by reducing fuel prices but due to shortage and prevailing lockdown situation CPI hovered around 8.6%. Target revision of government securities shows government interest in turning its short-term liabilities to long-term debts. It seems that another cut in policy rate is expected in the coming month.

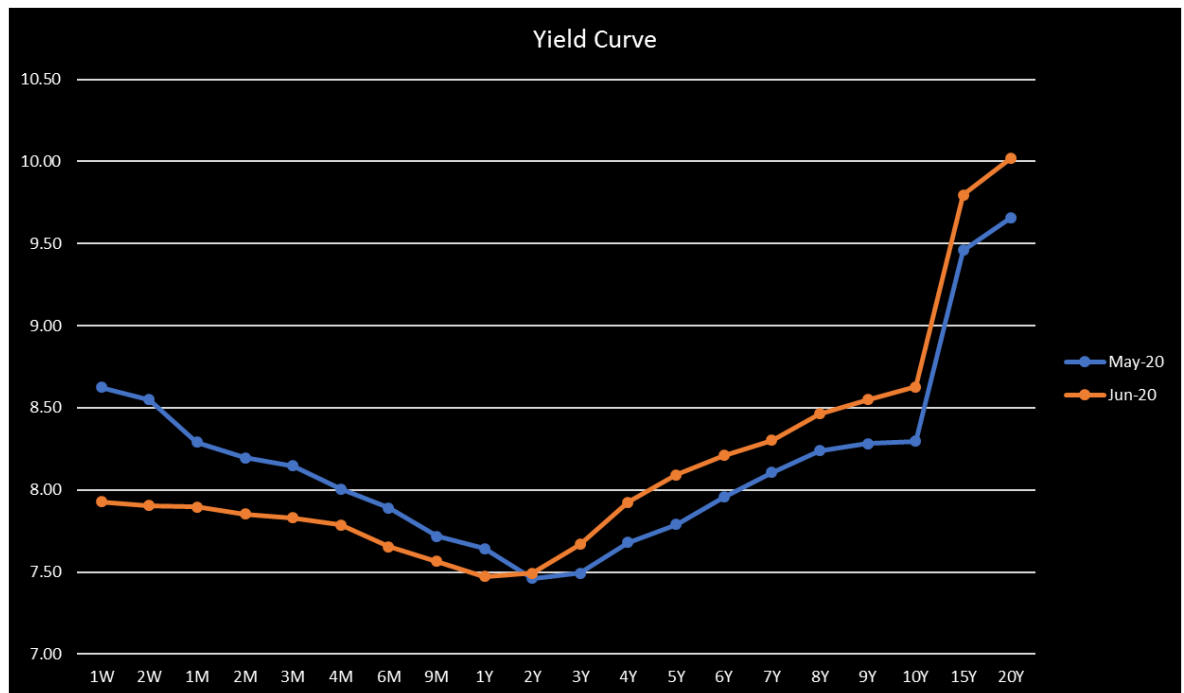
In a regular bond auction conducted on 25th Jun 2020, SBP received bids of PKR 118.65bn, 33.1bn, 18.5bn, 6.1bn and 100mn in 3Y, 5Y, 10Y, 15Y and 20Y PIBs, which SBP has accepted 3Y PKR 72.68bn, 5Y 21.96bn, 10Y 16.19bn, 15Y 4bn and 20Y 100mn at rate of 7.97%, 8.44%, 8.99%, 9.90% and 10.51% respectively. In PIB Floater, SBP accepted PKR 60.5bn in 3Y, 34.5bn in 5Y and 29.5bn in 10Y at the cut-off WAVG of 6-month T-bill (7.8170%) + 45, 49 and 70bps.

In its routine MTB auctions conducted on 4th, and 18th of June 2020, SBP received mild participation in auctions of 4th June. At the cutoff of 8.1298%, 7.9757% and 7.7101%, SBP accepted bids amounting PKR 32.8bn in 3-month, 29.8bn in 6-month and 92.25bn in 12-month respectively. Furthermore, in June 18th 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 Jun recorded at 8.59%.



Yield Curve May -20 vs. Jun-20:



OMO History Jun-2020:

(All amounts in million PKR)

Date	Injection		Mop up		Tenor (Days)	Cut off
	Offered	Accepted	Offered	Accepted		
5-Jun-20	1,478,650	1,440,000	-	-	7	8.02%
11-Jun-20	261,500	200,000	-	-	1	8.05%
12-Jun-20	1,433,200	1,405,200	-	-	7	8.03%
19-Jun-20	1,293,900	1,293,900	-	-	7	8.01%
25-Jun-20	-	-	293,100	250,000	1	7.95%
26-Jun-20	1,041,500	925,000	-	-	7	7.03%

Source: SBP

SBP Overnight Repo/Reverse Repo Facility-History:

(All amounts in million PKR)

Date	Floor	Ceiling
11-Jun-20	-	22,300
23-Jun-20	37,000	-
24-Jun-20	168,500	-
25-Jun-20	-	6,600
26-Jun-20	-	61,000

Source: SBP