

Fixed Income Monthly Review Oct-20

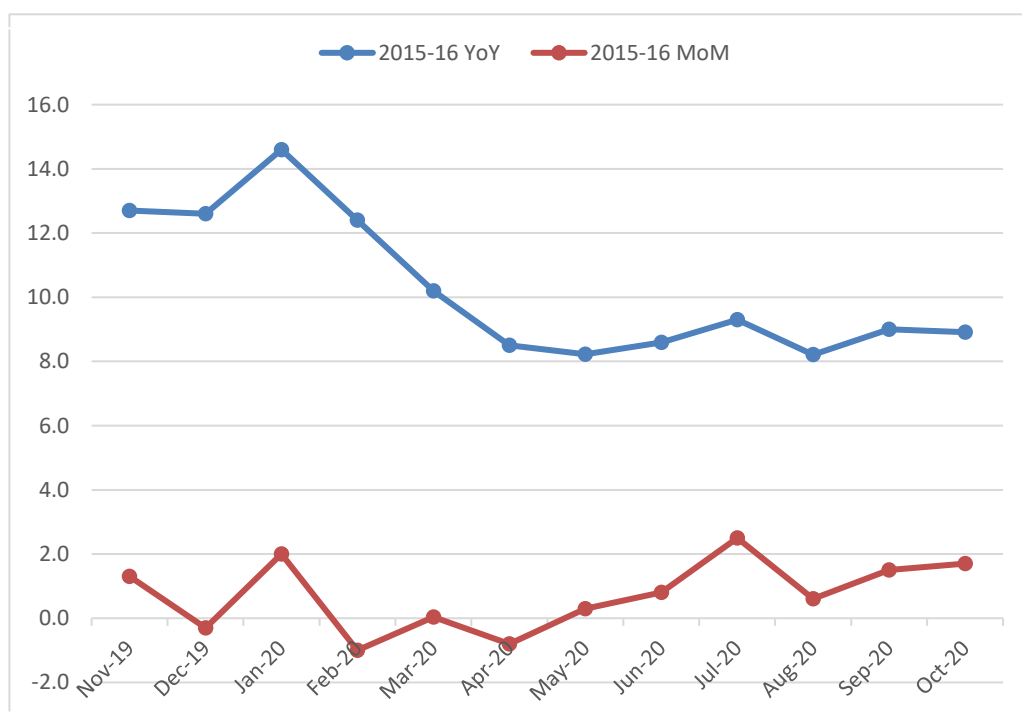
Food prices uncontrollable

This month economy was on the right track, as current account posted another positive growth. Moreover, tax collection of first quarter of FY2020-21 also inclined at 4%. Government decided to maintain petroleum prices at previous level except HSD for the month of October 2020. Moreover, ministry also effectively managed to reduce borrowing cost by shifting its focus from fixed to floating debts. Government's failure to control food prices resulted in unexpected headline inflation of 9.04%. In future outlook, key policy rate to remain stable till the end of CY2020.

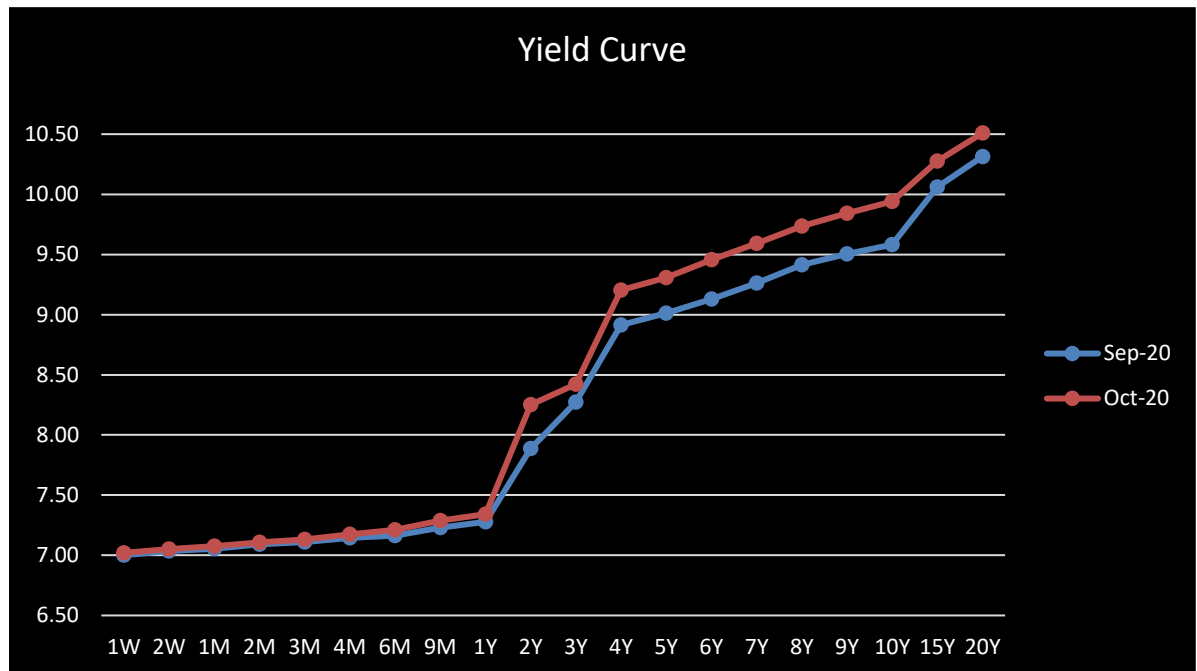
In a regular bond auction conducted on 15th Oct 2020, SBP received bids of PKR 6.7bn, 12.5bn, 17.6bn, 12bn and 9bn in 3Y, 5Y, 10Y, 15Y and 20Y PIBs, which SBP has accepted 3Y PKR 50mn, 15Y 8bn, and 20Y 13bn at rate of 8.24%, 10.00% and 10.5498% respectively. SBP rejected bids in 5-year and 10-year PIB. In auction of PIB Floater on 8th Oct 2020, SBP accepted PKR 60bn in 3Y, and 18bn in 5Y, and 16bn in 10Y at price of 100.3372, 100.3825 and 101.0347 respectively. In auction of PIB Floater Quarterly on 22nd Oct 2020, SBP accepted PKR 78.78bn in 3Y, 17.5bn in 5Y and 17bn in 10Y at price of 99.1997, 97.9779 and 95.2412 respectively. Bids in Semiannual Floater were rejected.

In its routine MTB auctions conducted on 8th, and 22nd of October 2020, SBP received mild participation in auctions of 8th October. At the cutoff of 7.1898%, 7.2189% and 7.2990%, SBP accepted bids amounting PKR 510.94bn in 3-month, 100.967bn in 6-month and 27.03bn in 12-month respectively. Furthermore, in October 22nd auction, SBP accepted PKR 341.727bn in 3-months and 38.995mn in 6-months at the level of 7.1750% and 7.20% respectively, bids in 12-month was rejected.

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 August recorded at 8.91%.



Yield Curve Sep-20 vs. Oct-20:



OMO History Oct-2020:

(All amounts in million PKR)

Date	Injection		Mop up		Tenor (Days)	Cut off
	Offered	Accepted	Offered	Accepted		
01-Oct-20	85,000	30,000	-	-	1	7.08%
02-Oct-20	826,100	800,000	-	-	7	7.02%
09-Oct-20	802,450	802,450	-	-	7	7.02%
16-Oct-20	814,900	814,900	-	-	7	7.02%
23-Oct-20	867,850	819,950	-	-	10	7.03%
27-Oct-20	116,800	45,000	-	-	6	7.10%

Source: SBP

SBP Overnight Repo/Reverse Repo Facility-History:

(All amounts in million PKR)

Date	Floor	Ceiling
09-Oct-20	1,000	-
12-Oct-20	8,500	-
13-Oct-20	6,000	-
14-Oct-20	4,000	-
15-Oct-20	-	5,500
19-Oct-20	-	15,000
29-Oct-20	15,000	-

Source: SBP