

## Fixed Income Monthly Review Sep-20

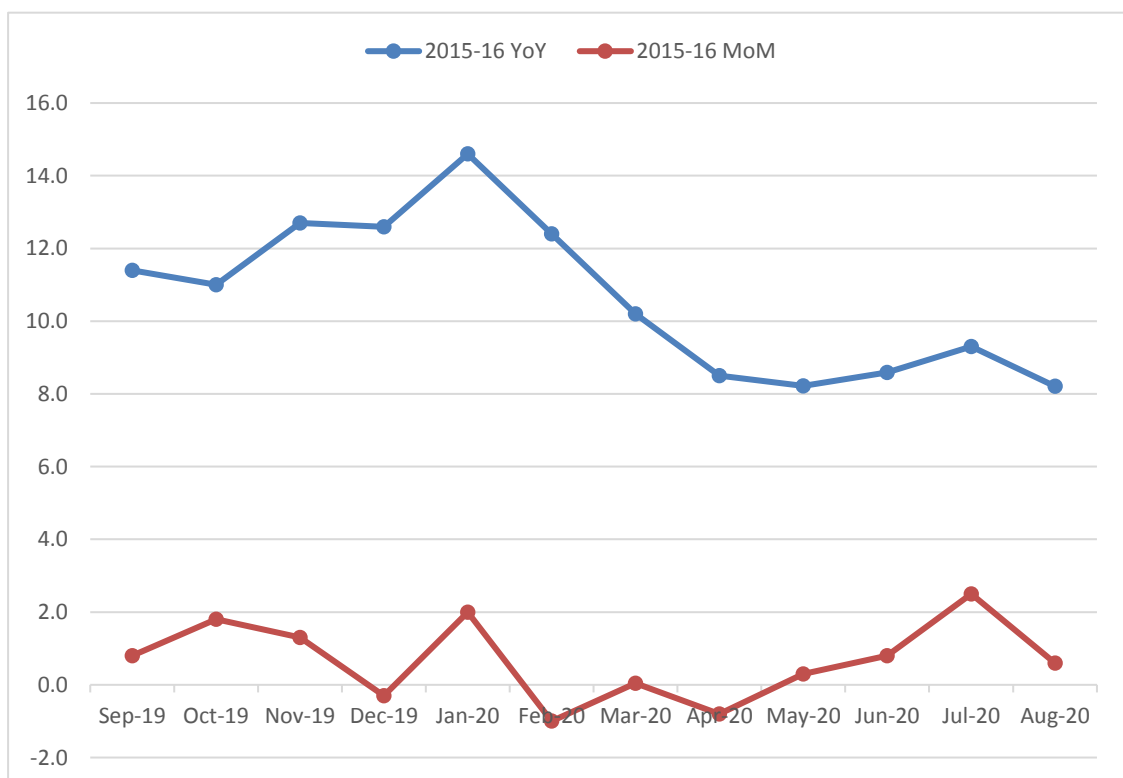
### *Food prices uncontrollable*

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.

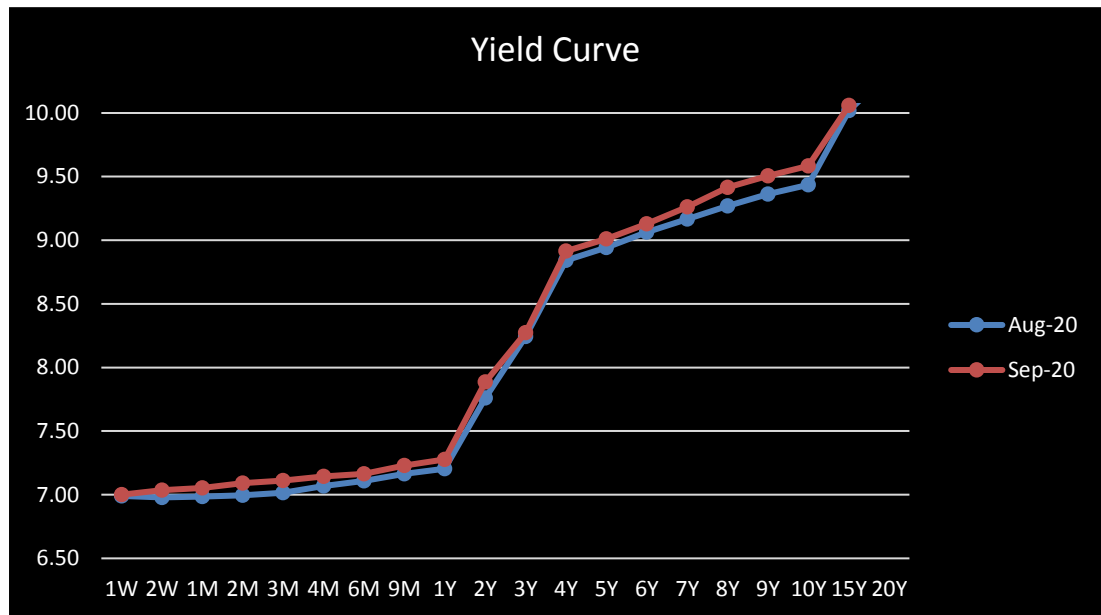
In a regular bond auction conducted on 17<sup>th</sup> Sep 2020, SBP received bids of PKR 28.715bn, 24.78bn, 13.29bn, 5bn and 5bn in 3Y, 5Y, 10Y, 15Y and 20Y PIBs, which SBP has accepted 3Y PKR 2.33bn, 5Y 112.5mn, 10Y 2mn and 20Y 1bn at rate of 8.20%, 8.45%, 8.99% and 10.5498% respectively. SBP rejected bids in 15-year PIB. In auction of PIB Floater on 9<sup>th</sup> Sep 2020, SBP accepted PKR 64.09bn in 3Y, and 13.12bn in 5Y, and 5bn in 10Y at price of 100.3455, 100.4845 and 101.0392 respectively. In auction of PIB Floater on 24<sup>th</sup> Sep 2020, SBP accepted PKR 102.92bn in 3Y, 29bn in 5Y and 7bn in 10Y at price of 100.3409, 100.3456 and 101.0365 respectively.

In its routine MTB auctions conducted on 10<sup>th</sup>, and 24<sup>th</sup> of September 2020, SBP received mild participation in auctions of 10<sup>th</sup> September. At the cutoff of 7.1399%, 7.18% and 7.30%, SBP accepted bids amounting PKR 195.63bn in 3-month, 115.5bn in 6-month and 32.04bn in 12-month respectively. Furthermore, in September 24<sup>th</sup> auction, SBP accepted PKR 113.8bn in 3-months, 192bn in 6-months and 169bn in 12-months at the level of 7.1292%, 7.18% and 7.3090% 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 August recorded at 9.04%.



### Yield Curve Aug-20 vs. Sep-20:



### OMO History Sep-2020:

(All amounts in million PKR)

Date	Injection		Mop up		Tenor (Days)	Cut off
	Offered	Accepted	Offered	Accepted		
4-Sep-20	1,097,150	1,097,150	-	-	7	7.02%
11-Sep-20	1,024,900	1,000,000	-	-	7	7.02%
17-Sep-20	-	-	88,000	88,000	1	6.95%
18-Sep-20	950,000	950,000	-	-	7	7.02%
25-Sep-20	823,800	823,800	-	-	7	7.03%
29-Sep-20	113,600	67,600	-	-	3	7.06%

Source: SBP

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

(All amounts in million PKR)

Date	Floor	Ceiling
03-Sep-20	-	25,300
14-Sep-20	6,000	-
15-Sep-20	90,300	-
16-Sep-20	50,000	-
17-Sep-20	22,950	-

Source: SBP