

## Fixed Income Monthly Review May-21

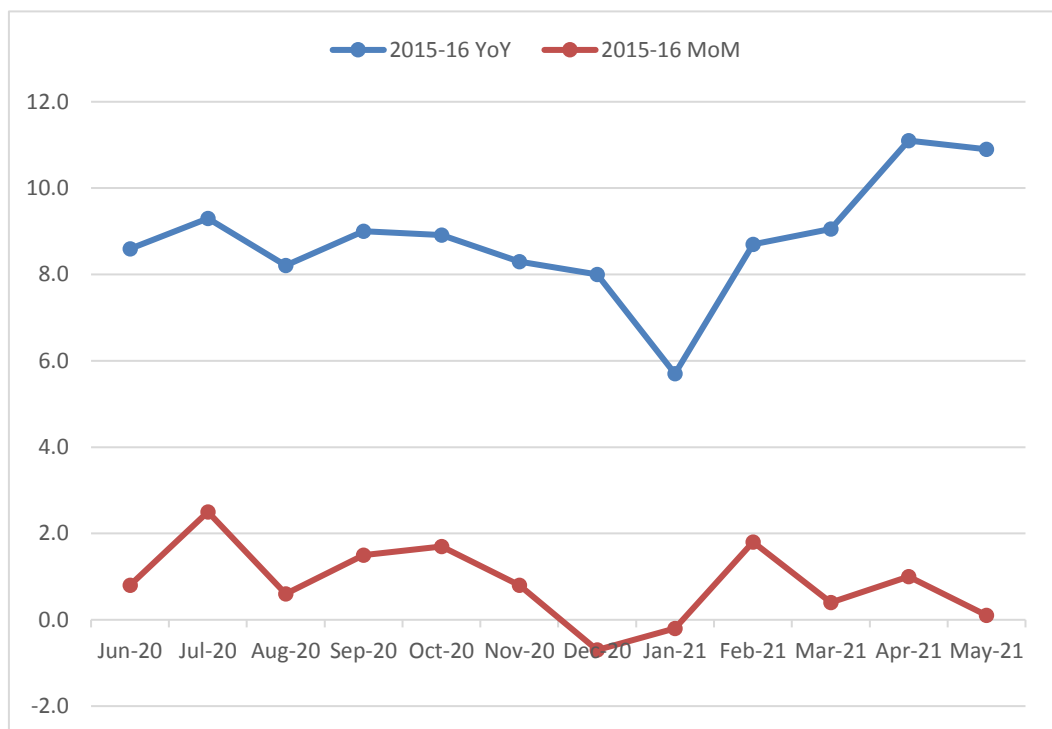
### Cutback in Circular debt questionable

Pakistan witnessed an increase in forex reserves by \$383.90mn or 1.32%. Remittance flow increased by 17% since last year. Government focusing on inclusive and sustainable economic growth and are expecting a GDP growth of 3.94%, however leading economists of the country are doubtful. Rs. 4.143tr revenue collected in 11months through tax, this was the first time the country's tax collection crossed Rs.4tr in any fiscal year. Trade deficit widens to \$23.8bn in 10months. The Government's focus and plan to reduce circular debt is unlikely to be achieved due to unrealistic subsidy allocations by IMF's circular debt management plan. Policy rate remains at 7% amid Covid-19 situation.

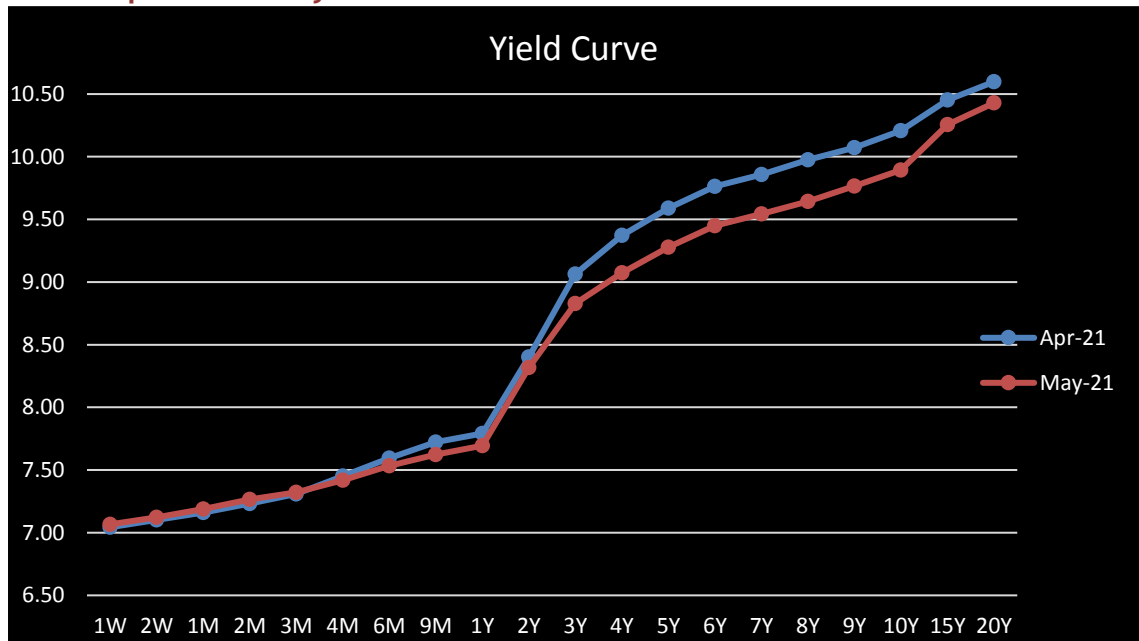
In a regular bond auction conducted on 06<sup>th</sup> May 2021, SBP received bids of PKR 261.50bn, 195.05bn, 82.09bn, 15bn and 10bn in 3Y, 5Y, 10Y, 15Y and 20Y PIBs, out of which SBP accepted 3Y PKR75.50bn, 5Y PKR68.80bn, 10Y PKR15.25bn, 15Y PKR15bn and 20Y PKR10bn at rates of 8.70%, 9.20%, 9.8390%, 10.40% and 10.56%% respectively. In auction of PIB Floater Semi-Annual on 05<sup>th</sup> May 2021, SBP received bids in 5Y of 54bn. Bids in 5Y were accepted of PKR30bn at cut-off price of 98.1794. In auction of PIB Floater Quarterly on 19<sup>th</sup> May 2021, SBP accepted PKR 20bn in 5Y at price of 98.1854.

In its routine MTB auctions conducted on 5<sup>th</sup> and 19<sup>th</sup> of May 2021. On May 05<sup>th</sup>, at the cutoff of 7.3497%, 7.5501% and 7.6900, SBP accepted bids amounting PKR 261.66bn in 3-month, 329.16bn in 6-month, and 27.03bn in 12-month respectively. On May 19<sup>th</sup> auction, SBP accepted PKR 179.78bn in 3-months, 325.53bn in 6-months and 21.61bn in 12-months at the level of 7.3492%, 7.6000% and 7.6898% respectively.

Market liquidity remained uncertain throughout the month as State Bank managed liquidity through frequent OMOs. SBP continued to conduct regular OMO (Injection and Mop-ups) to stabilize the liquidity condition. The headline inflation for the month of May-21 was recorded at



### Yield Curve Apr-21 vs. May-21:



### OMO History May-2021:

(All amounts in million PKR)

Date	Injection		Mop up		Tenor (Days)	Cut off Offered
	Offered	Accepted	Offered	Accepted		
04-May-21	148,000	148,000	-	-	3	7.06
06-May-21	564,550	564,550	-	-	11	7.05
07-May-21	2,106,000	2,106,000	-	-	10	7.05
17-May-21	2,585,400	2,585,400	-	-	4	7.05
20-May-21	393,500	265,500	-	-	8	7.06
21-May-21	2,444,150	2,444,150	-	-	7	7.05
25-May-21	-	-	113,000	113,000	3	6.97
26-May-21	-	-	61,000	61,000	2	6.96
27-May-21	-	-	77,050	77,050	1	6.96
28-May-21	2,410,300	2,410,300	-	-	7	7.05

Source: SBP

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

(All amounts in million PKR)

Date	Floor	Ceiling
03-May-21	-	2,000
05-May-21	-	5,000
07-May-21	-	34,400
17-May-21	-	4,000
18-May-21	-	5,000
25-May-21	11,000	-
26-May-21	9,000	-
27-May-21	35,100	-

Source: SBP