

Fixed Income Monthly Review Feb-21

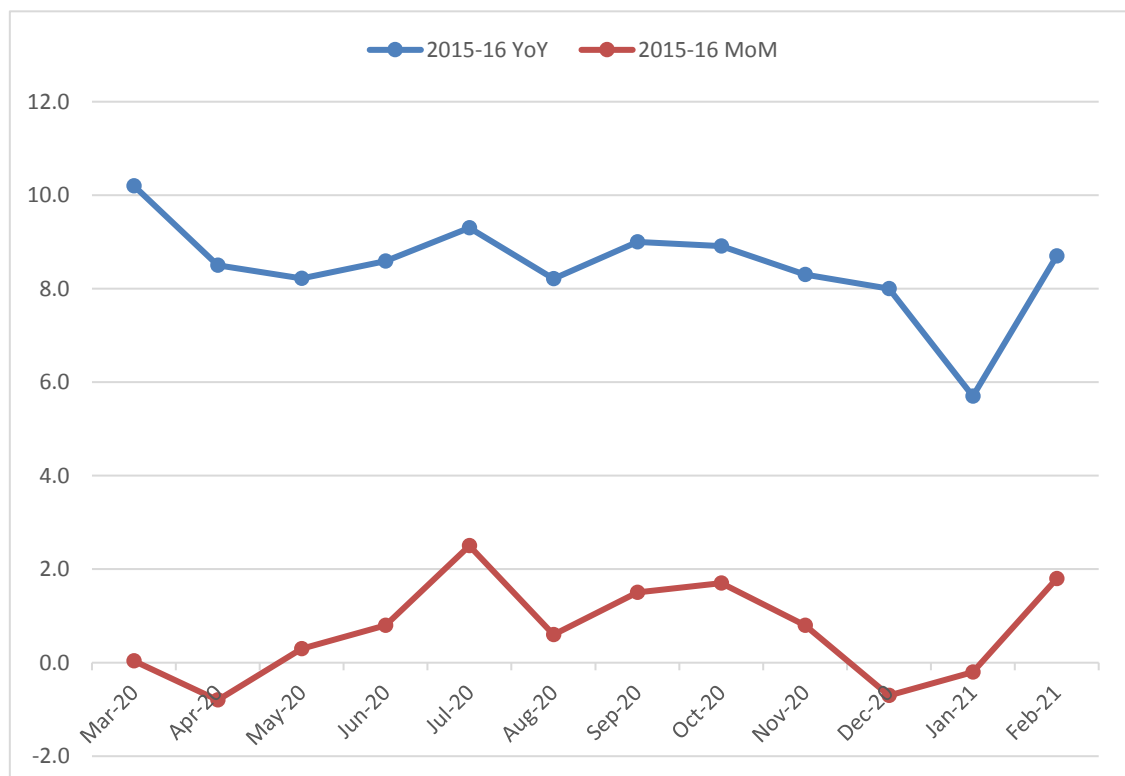
Mountain Circular Debt

Exports crossed \$2bn for fourth consecutive month, however a rise in the imports (mainly of cotton) has caused an increase in trade deficit by 8.27% in the first seven months of FY21. Circular debt increases to Rs.2.6tr despite 15% rise in consumer tariff. Reason for increase in circular debt was because of technical and distribution losses and also non-payment by distribution companies. Debt of the country jumped to Rs.44.98tr due to a hike in Covid-19 expenditure. Pakistan kept on grey list by FATF as the country is yet still to address 3 points out of 27, majorly regarding terror financing.

In a regular bond auction conducted on 03rd Feb 2021, SBP received bids of PKR 19.95bn, 148.31bn, 87.43, and 1.5bn in 3Y, 5Y, 10Y and 20Y PIBs. SBP has accepted 3Y PKR 10.45bn, 5Y 21.04bn, 10Y 27.08bn and 20Y 1.5bn at rate of 8.99%, 9.59%, 10.05% and 10.58% respectively. SBP received no bids in 15Y and 20Y. In auction of PIB Floater Quarterly on 10th Feb 2021, SBP received bid of 3bn 3Y Floater Quarterly and 14bn 5Y Floater Semi-Annual, however both bids were rejected. In auction of PIB Floater Quarterly on 24th Feb 2021, SBP received bid of PKR 5bn 5Y Semi-Annual, but it was rejected.

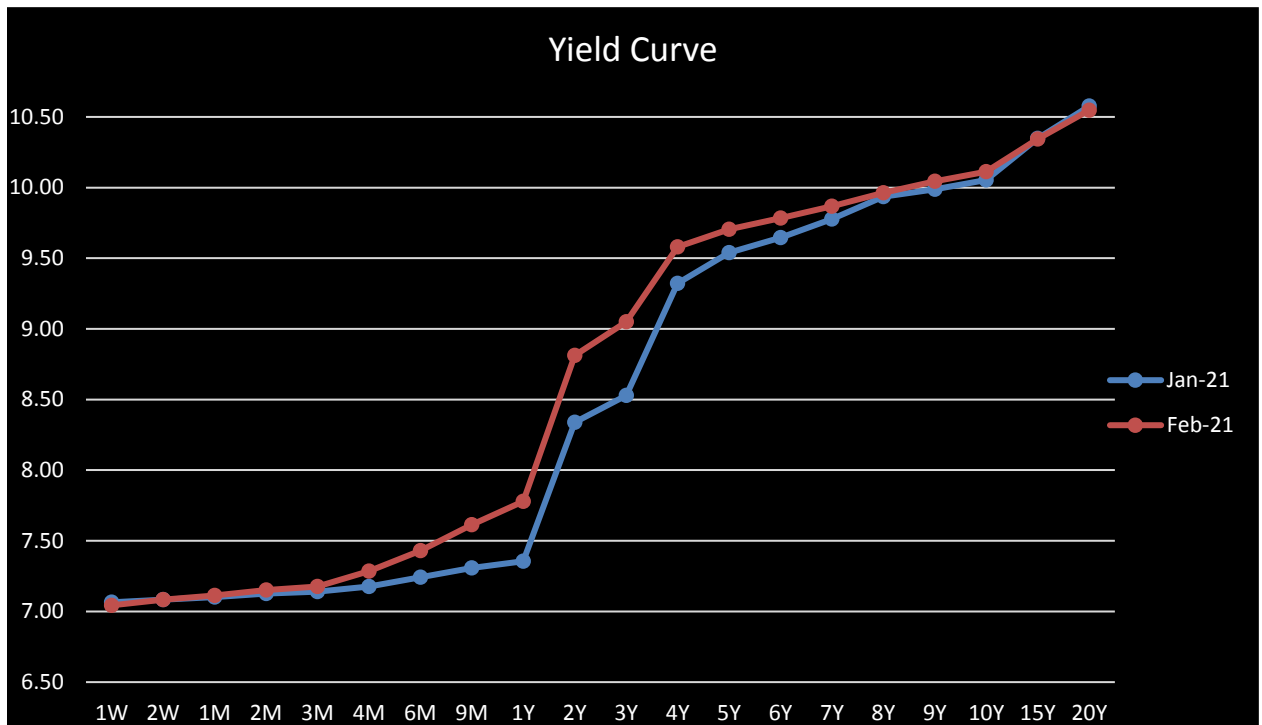
In its routine MTB auctions conducted on 10th and 24th of February 2021. On February 10th, at the cutoff of 7.1799%, 7.4900% and 7.7989%, SBP accepted bids amounting PKR 161.21bn in 3-month, 496.43bn in 6-month and 5.20bn in 12-month respectively, all bids of 12-month were rejected. On February 24th auction, SBP accepted PKR 241.61bn in 3-months and 518.29bn in 6-months at the level of 7.2486% and 7.5498% respectively. All bids in 12-months were rejected.

Market liquidity remained calm throughout the month as 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 February recorded at 8.70%.



Yield Curve Jan-21 vs. Feb-21:

Icon Management Private Limited



OMO History Feb-2021:

Date	Injection		Mop up		Tenor (Days)	Cut off
	Offered	Accepted	Offered	Accepted		
01-Feb-21	-	-	96,000	66,000	3	6.91%
04-Feb-21	-	-	85,050	45,000	4	6.88%
08-Feb-21	1,071,150	1,071,150	-	-	4	7.04%
09-Feb-21	10,000	10,000	-	-	3	7.04%
12-Feb-21	1,360,100	1,361,000	-	-	7	7.04%
18-Feb-21	63,000	36,000	-	-	1	6.89%
19-Feb-21	1,305,400	1,305,400	-	-	7	7.04%

SBP Overnight Repo/Reverse Repo Facility-History:

(All amounts in million PKR)

Date	Floor	Ceiling
01-Feb-21	24,500	
02-Feb-21	19,000	
03-Feb-21	22,000	
04-Feb-21	6,500	
12-Feb-21		57,500

Source: SBP