

Fixed Income Monthly Review Mar-21

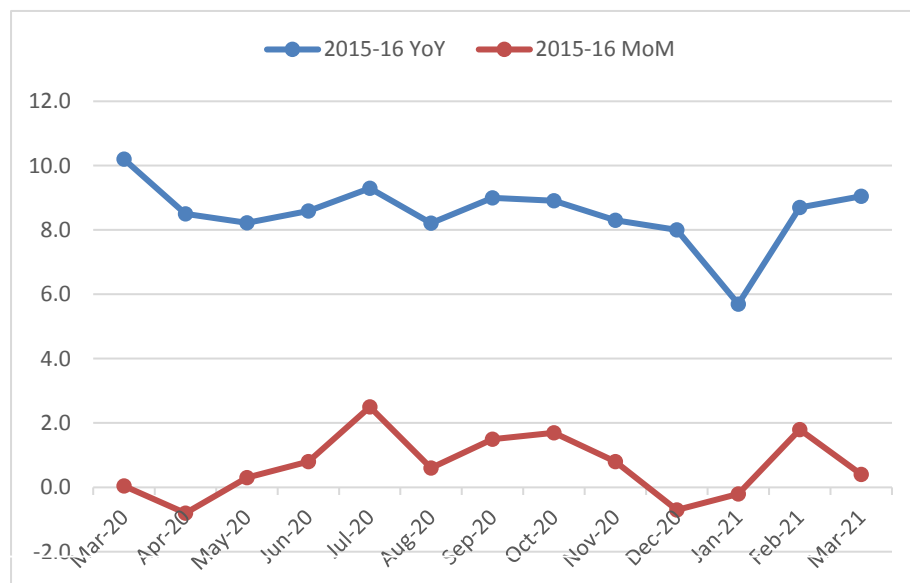
Policy Rate Sustains

Policy rate remained at 7% while an expected growth of 3% by the end of FY21 due to improved environmental conditions. Private sector borrowing rose by 80% in first 8 months of FY-21 as the vaccine of Covid-19 got introduced in the country. Remittances increased by 24%. The Government plans to raise electricity tariffs by Rs.5.36 to control circular debt, if unable to do so, the circular debt is expected to go higher from Rs.881bn to Rs1.258tr. IMF approves and releases next loan tranche of \$500 million for Pakistan. World Bank agrees to provide \$1.336bn to Pakistan to boost foreign exchange reserves as the FDI decreases by 20% compared to the previous month.

In a regular bond auction conducted on 03rd Mar 2021, SBP received bids of PKR 42.75bn, 52.9bn, and 35bn in 3Y, 5Y, and 10Y PIBs, out of which SBP accepted 3Y PKR 27.3bn, 5Y 32.53bn, and 10Y 17.2bn at rates of 9.41%, 9.90% and 10.2890% respectively. SBP received no bids in 15-year and 20-year PIB. In auction of PIB Floater Semi-Annual on 10th Mar 2021, SBP received bids in 5Y of 11.5bn but the bid was rejected. In auction of PIB Floater Quarterly on 24th Mar 2021, SBP accepted PKR 2.205bn in 2Y at price of 99.5434 while SBP rejected bids in 3Y Floater Quarterly and 5Y Floater Semi-Annual.

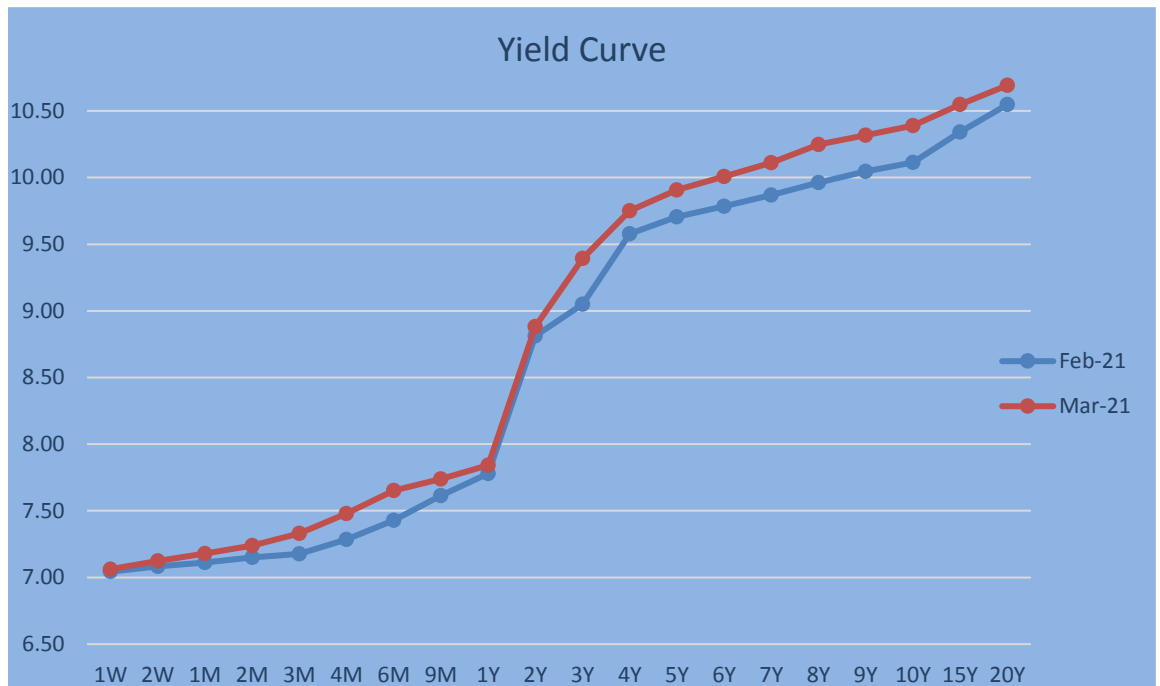
In its routine MTB auctions conducted on 10th and 24th of March 2021. On March 10th, at the cutoff of 7.5898%, 7.8000% and 7.7900%, SBP accepted bids amounting PKR 508.61bn in 3-month, 150.74bn in 6-month and 500mn in 12-month respectively. On March 24th auction, SBP accepted PKR 1130.68bn in 3-months and 388.90bn in 6-months at the level of 7.5398% and 7.8000% respectively. All bids in 12-months were rejected.

Market liquidity remained calm throughout the month as State Bank managed liquidity through frequent OMOs. SBP continued to conduct regular OMO (Injection) to stabilize the liquidity condition. The headline inflation for the month of March-21 was recorded at 9.05%.



Yield Curve Feb-21 vs. Mar-21:

Icon Management Private Limited



OMO History Mar-2021:

(All amounts in million PKR)

Date	Injection		Mop up		Tenor (Days)	Cut off Offered
	Offered	Accepted	Offered	Accepted		
5-Mar-21	1,177,850	1,177,850	-	-	7	7.03
11-Mar-21	296,200	202,200	-	-	8	7.04
12-Mar-21	1,160,250	1,160,250	-	-	7	7.04
18-Mar-21	191,300	164,300	-	-	1	7.09
19-Mar-21	1,267,250	1,220,000	-	-	7	7.04
25-Mar-21	819,000	769,000	-	-	8	7.04
26-Mar-21	860,300	860,300	-	-	7	7.03

Source: SBP

SBP Overnight Repo/Reverse Repo Facility-History:

(All amounts in million PKR)

Date	Floor	Ceiling
01-Mar-21	17,500	
02-Mar-21	23,800	
03-Mar-21	77,700	
04-Mar-21	23,800	
15-Mar-21		3,000
18-Mar-21		29,100

Source: SBP