

Fixed Income Monthly Review Apr-21

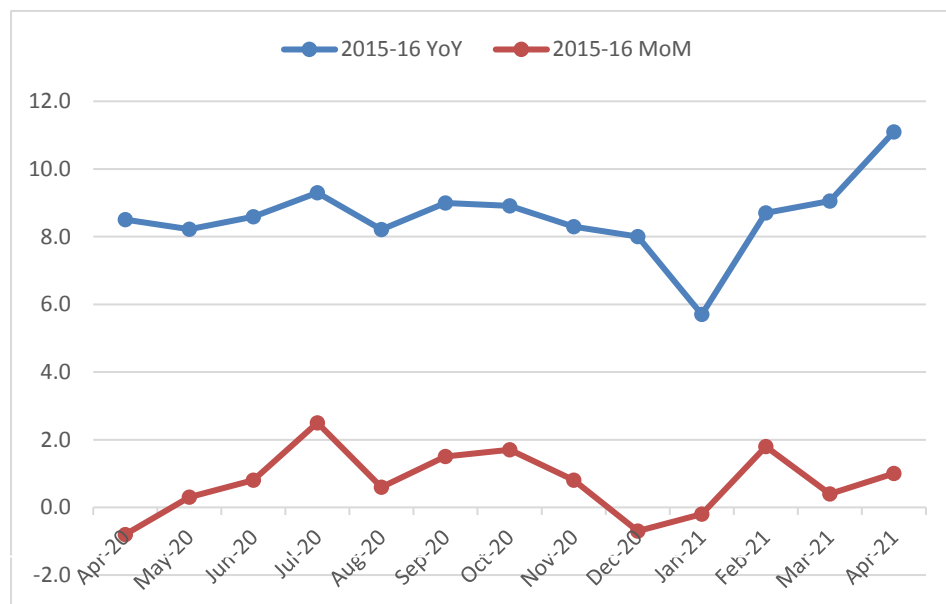
Covid led Downturn

Rising inflation and a rising unemployment rate pulls down the IMF forecast of growth rate in Pakistan to 1.5% whereas The State bank of Pakistan had predicted it as 3%. Circular debt stands at Rs.2.3tr and is expected to double (Rs.4.6tr) by 2023 if no proper measures are taken. An increase in the demand of sugar and wheat pushed the import bill by 54%; IMF as a result projected budget deficit of the country to increase by 7.1%. Foreign direct investment (FDI) took a downturn and has fallen by 35% in 9months FY21. Rupee ranked as the best currency to appreciate against the USD. Remittances exceed \$2bn for 10th straight month. Foreign investors returned to PIBs with \$240m.

In a regular bond auction conducted on 13th Apr 2021, SBP received bids of PKR 254.53bn, 156.38bn, 77.97bn, 27bn and 12bn in 3Y, 5Y, 10Y, 15Y and 20Y PIBs, out of which SBP accepted 3Y PKR 50.45bn, 5Y 77.24bn, 10Y 47.50bn, 15Y 12bn and 20Y 12bn at rates of 9.27%, 9.85%, 10.2499, 10.4774 and 10.6074% respectively. In auction of PIB Floater Semi-Annual on 07th Apr 2021, SBP received bids in 2Y, 3Y and 5Y of 6.8bn, 3.75 and 12.5bn respectively. Bids in 2Y were accepted of PKR4.4bn at cut-off price of 99.5544. Bids in 3Y and 5y were rejected. In auction of PIB Floater Quarterly on 21st Apr 2021, SBP accepted PKR 8.5bn in 2Y at price of 99.5671 while SBP rejected bids in 3Y Floater Quarterly and 5Y Floater Semi-Annual.

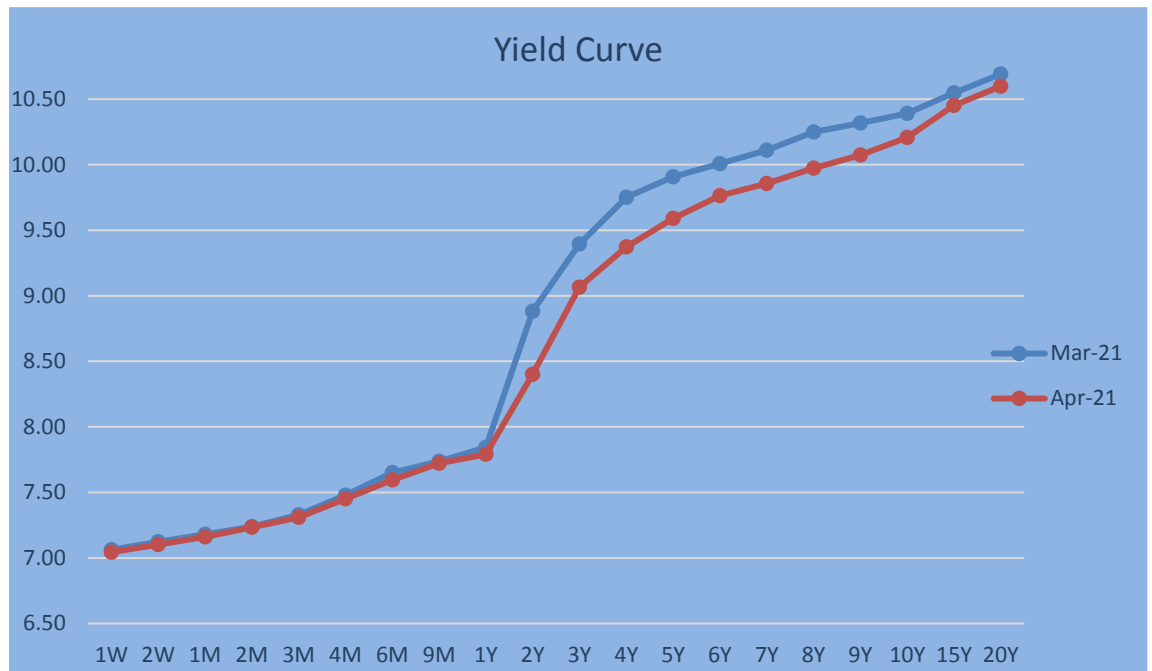
In its routine MTB auctions conducted on 7th and 21st of April 2021. On April 07th, at the cutoff of 7.4698% and 7.7998%, SBP accepted bids amounting PKR 201.09bn in 3-month, and 593.60bn in 6-month respectively. All bids in 12-months were rejected. On April 21st auction, SBP accepted PKR 238.62bn in 3-months and 334.68bn in 6-months at the level of 7.40% and 7.6871% 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 Mar-21 vs. Apr-21:

Icon Management Private Limited



OMO History Apr-2021:

(All amounts in million PKR)

Date	Injection		Mop up		Tenor (Days)	Cut off Offered
	Offered	Accepted	Offered	Accepted		
01-Apr-21	276,750	190,000	-	-	1	7.11
02-Apr-21	1,748,450	1,658,450	-	-	7	7.04
05-Apr-21	87,000	87,000	-	-	4	7.04
09-Apr-21	1,692,750	1,650,100	-	-	7	7.04
15-Apr-21	166,650	166,650	-	-	1	7.07
16-Apr-21	2,062,750	1,975,050	-	-	7	7.04
20-Apr-21	148,350	78,350	-	-	3	7.10
23-Apr-21	1,817,350	1,817,350	-	-	7	7.05
28-Apr-21	-	-	203,500	203,500	2	6.93
30-Apr-21	1,622,800	1,622,800	-	-	7	7.05

Source: SBP

SBP Overnight Repo/Reverse Repo Facility-History:

(All amounts in million PKR)

Date	Floor	Ceiling
01-Apr-21		15,300
12-Apr-21	18,000	
15-Apr-21		44,000
16-Apr-21		34,000
19-Apr-21		28,000
26-Apr-21	3,000	
27-Apr-21	57,000	
29-Apr-21		14,300

Source: SBP