

## Fixed Income Monthly Review Jun-21

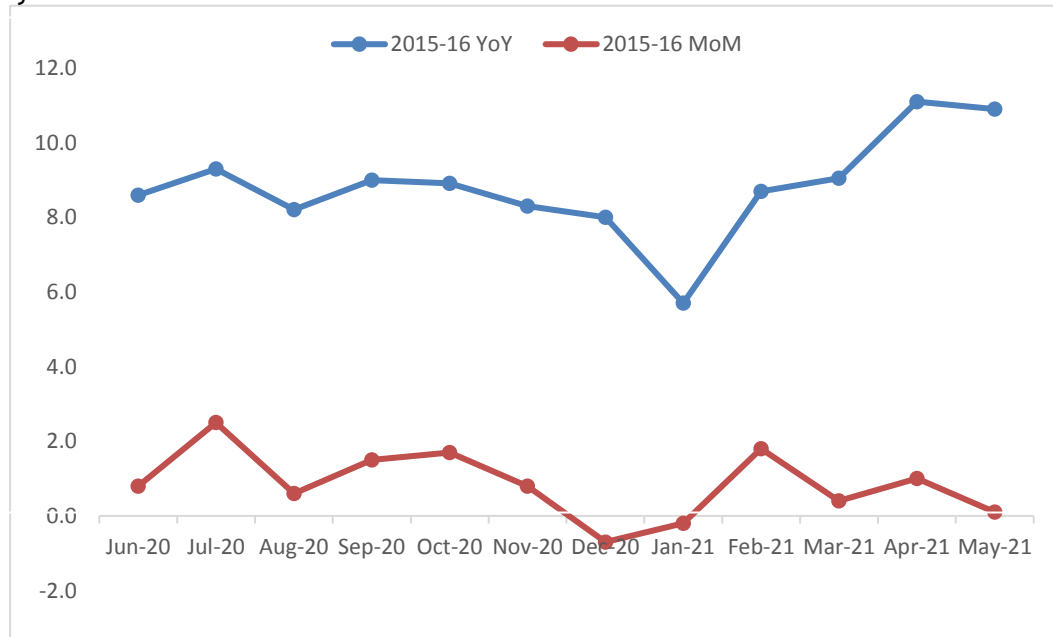
### Pakistan: A Promiscuous Economy

Pakistan's imports have crossed \$50bn in 11 months of the outgoing fiscal year, the hike in import bill was due to import of major food items. Exports increased to \$22.6bn in Jul-May FY21 compared to \$19.8bn in the same period of last year. Resultantly, the trade deficit widened to \$27.5bn and exceeded the annual target by \$8bn in current fiscal year. Remittances received during May 2021 amounted to \$2.5bn, which is 33.5pc higher than the same month last year and inflows from the Roshan Digital Account had crossed the \$1.5bn mark. Industrial output continued with the upward trend for the third consecutive month as LSMI grew by a robust 68.07% in April. Growth projections for economic growth revised to 4% for the outgoing fiscal year as compared to a negative growth of 0.5% recorded in last fiscal year due to global pandemic. This projection has been applauded by the American Business magazine "Forbes" and called it the government's effort to tackle pandemic and stabilize the economy. On the external front, government has planned to take nearly \$16 billion gross foreign loans in next fiscal year to meet requirements external public debt and finance the budget deficit, World Bank has also approved \$442 million to help improve access to water and sanitation services, availability of \$1.5 billion Saudi oil facility has been approved, and government also secured a \$4.5 billion worth of trade financing facility ITFC to cover import cost of crude, petroleum products and LNG.

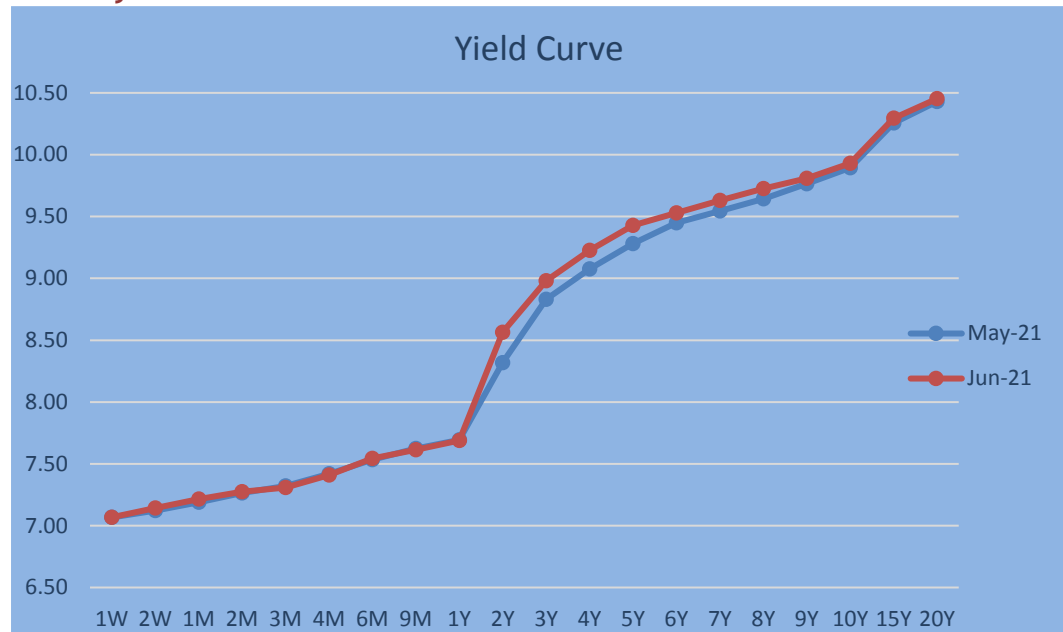
In a regular bond auction conducted on 09<sup>th</sup> June 2021, SBP received bids of PKR 294bn, 45bn, 37.25bn, 15bn and 10bn in 3Y, 5Y and 10Y, out of which SBP accepted 3Y PKR153.8bn, 5Y PKR7bn and 10Y PKR 99mn at rates of 8.69%, 9.20% and 9.8390% respectively, however no bids were received in 15Y and 20Y.

In its routine MTB auctions conducted on 2<sup>nd</sup> and 16<sup>th</sup> of Jun 2021. On June 2<sup>nd</sup>, at the cutoff of 7.3492%, 7.5943% and 7.6700, SBP accepted bids amounting PKR 208.86bn in 3-month, 540.95bn in 6-month, and 4.645mn in 12-month respectively. On June 16<sup>th</sup> auction, SBP accepted PKR 382.31bn in 3-months, 681.865bn in 6-months and 23.2mn in 12-months at the level of 7.3259%, 7.5894% and 7.67% 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 June-21 was recorded at 9.70.



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



### OMO History Jun-2021:

(All amounts in million PKR)

Date	Injection		Mop up		Tenor (Days)	Cut off Offered
	Offered	Accepted	Offered	Accepted		
4-Jun-21	2,331,800	2,331,800	-	-	7	7.05%
10-Jun-21	-	-	128,650	100,000	1	6.95%
11-Jun-21	2,303,300	2,230,000	-	-	7	7.05%
18-Jun-21	2,335,600	2,200,000	-	-	7	7.05%
24-Jun-21	-	-	236,600	236,600	1	6.96%
24-Jun-21	-	-	16,000	16,000	1	6.96%
25-Jun-21	1,966,550	1,800,000	-	-	7	7.06%
29-Jun-21	-	-	135,000	135,000	1	6.95%

Source: SBP

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

(All amounts in million PKR)

Date	Floor	Ceiling
4-Jun-21	35,000	-
7-Jun-21	56,000	-
8-Jun-21	75,000	-
9-Jun-21	108,300	-
10-Jun-21	-	4,000
15-Jun-21	-	11,000
16-Jun-21	-	24,500
17-Jun-21	-	99,000
18-Jun-21	-	54,000
23-Jun-21	27,000	-
24-Jun-21	-	4,000
28-Jun-21	-	8,000

Source: SBP

**Disclaimer:** This report is for information purposes only and we are not soliciting any action based on it. All facts and material have been generated or obtained from sources believed to be reliable. We do not guarantee the accuracy and completeness of any information or other data provided. Icon Management (Pvt.) Ltd. will not be responsible for the consequences of reliance upon any opinion or statement herein or for any omission.