

VIEW ON UP-COMING MONETARY POLICY:

On Friday, The SBP monetary policy meeting is likely to highlight the continued broad based pick in economic activity with gains in private sector credit. The real GDP growth target of 6% is most likely achievable during the current fiscal year, with inflation for the 1H-FY17/18 coming in at 3.92% which is well below the Central bank target of 6%. With a slight improvement in the CAD last month owing to a lower trade deficit by \$200mn, the monetary authorities are likely to highlight these positive effects from the policy actions of higher import tariffs and depreciation of the rupee having an impact.

However with international oil prices rising significantly during the last month with Brent trading close to \$71, as well as the inflationary impact from higher import prices from the import tax rises taking effect, along with the exchange rate depreciation of 5%, CPI is most likely to rise by 1% during the current quarter to 4.92%. With the RIR narrowing, the pressure on policy makers is likely to be on the table by the next monetary policy meeting in March.

Hence, we do not believe that the monetary policy authorities will seek to raise the target raise at this meeting as most economic indicators have shown improvements and hence they will leave the target rate un-changed at 5.75%.

**ECONOMIC DATA SINCE LAST MONETARY POLICY TILL UP-COMING MONETARY POLICY
FROM 25TH NOVEMBER, 2017 TO 26TH JANUARY, 2018**

Economic Data (Units)	MONETARY POLICY	MONETARY POLICY	Difference
	25th Nov, 2017	26th Jan, 2018	
Target Rate (%)	5.75	5.75	
Consumer Price Index-CPI (%) YoY	3.80	4.57	0.77
Average Inflation (%)	3.50	3.92	0.42
Real Interest Rate-RIR (%)	2.25	1.83	(0.42)
Real Effective Exchange Rate-REER	121.55	124.11	2.56
FX-Reserves (Amount in \$ bn)	19.711	19.771	0.06
Home Remittance (Amount in \$ bn)	1.654	1.723	0.07
FDI (Amount in \$ mn)	277.70	197.40	(80.30)
Trade Balance-Surplus/(Deficit) (Amount in \$bn)	(2.878)	(2.676)	0.20
Current A/c-Surplus/(Deficit) (Amount in \$bn)	(1.315)	(1.13)	0.19
KSE-100 INDEX (PTS)	40,111.64	44,879.19	4,767.55
KERB Market-USD/PKR	107.55	112.10	4.55
USD/PKR	105.50	110.55	5.05
INR/PKR	1.63	1.73	0.10
CNY/PKR	15.95	17.40	1.45
6-Month SWAP Premium	1.275	1.115	(0.16)
Dollar Index-US \$	93.05	89.09	(3.96)
USD/INR	64.66	63.35	(1.31)
USD/CNY	6.60	6.34	(0.26)
12-Month LIBOR	1.934	2.225	0.29
Brent Oil (\$ per barrel)	62.340	70.820	8.48
Crude Oil (\$ per barrel)	58.65	66.11	7.46

Source: www.pbs.gov.pk, www.sbp.org.pk, www.trade3.pmex.com.pk, www.kse.com.pk & www.theice.com
Research work: C & M Management (Pvt.) Ltd

Market Treasury Bill-MTB			
Cut-Off Yields (%)			
3-Month	5.99	5.99	0.00
6-Month	6.01	6.01	0.00
12-Month	6.03	6.03	0.00
Secondary Yields (%)			
3-Month	5.99	5.99	0.00
6-Month	6.01	6.01	0.00
12-Month	6.02	6.03	0.01
Pakistan Investment Bonds-PIB's			
Cut-Off Yields (%)			
3-Year	6.41	6.41	0.00
5-Year	6.90	6.90	0.00
10-Year	7.94	7.94	0.00
Secondary Yields (%)			
3-Year	6.52	7.29	0.77
5-Year	7.38	7.87	0.49
10-Year	8.17	8.43	0.26

Source: www.sbp.org.pk & Secondary Market data from C & M Management Money-Market-Desk