

FX – INTERBANK RATE:

1-AUG	OPEN	HIGH	LOW	CLOSE	Last Day Close
READY	104.86	104.86	104.85	104.85	104.83

✓ **Forecast for tomorrow:**

As per today's activity, we expect the market to continue to trade within the range of **104.80/104.90**

FX MARKET:

- ✓ Pakistan economy posted notable improvements in FY16 as average annual CPI inflation declined to a 47-year low of 2.9% and real GDP growth touched an 8-year high of 4.7%. Foreign exchange reserves held by SBP recorded steady increases and while covering 4-months of imports stood at \$18.1bn by end-June 2016. Government's efforts at reducing budget deficit remained on track as its revenue collection exceeded expectations. Private sector credit posted a considerable surge with accelerating loans for fixed investment and working capital.
- ✓ Both external and domestic factors have contributed towards improvement of the economy. On the external front, despite a decline in exports growth, foreign exchange market remained broadly stable due to lower oil prices, healthy workers' remittances, and adequate official capital inflows. While on the domestic side, an increase in FBR revenues has helped in increasing development spending, while at the same time maintaining fiscal deficit close to the target level.
- ✓ Going forward in FY17, factors affecting the outlook for external sector are broadly similar to that of FY16. Even with a slight increase in CA deficit, on a/c of expected higher non-oil imports, positive growth in workers' remittances are likely to keep it at manageable levels. At the same time, substantial bilateral and multilateral project loans related flows in the financial a/c will help maintain an overall surplus in the balance of payments. Further addition to this surplus is likely to come from increased foreign portfolio investments on the back of reclassification of Pakistani stock market in the Emerging Markets Index by MSCI.
- ✓ Pakistan's economic growth is set to increase further in FY17. The impetus is likely to come from the continuation of same positive factors as of FY16, which include: (i) rising investment under PSDP and CPEC; (ii) improved energy availability to industry; (iii) lagged impact of prudent monetary policy; (iv) healthy private sector credit uptake; and (v) improving law and order situation. Increased economic activity may impact inflation. Accordingly, SBP forecasts average CPI inflation in the range of 4.5%-5.5% for FY17.
- ✓ So after detailed deliberations Monetary Policy Committee has decided to maintain the policy rate at 5.75%.

MONEY MARKET:

- ✓ Today PBS released the data of CPI for the month of July, 2016. According to PBS, CPI increased by 4.10% on YoY basis and 0.93% as compared to the previous month 3.18%. On MoM basis, CPI fell by 0.2% from last month 0.6% to 0.4%. CPI figure measured from following items: Core NFNE increased by 4.5% and Core Trimmed increased by 3.6% on YoY basis. The average inflation for 1MFY16/17 is 4.10%.
- ✓ Today MM initiated at 5.65%-5.75% and traded whole day with in the range of 5.50%-5.80% and expected to close at same.

PERIOD	SWAP	Change in Premiums	Swap Implied PKR Yield
1-WEEK	0.0975	(0.0015)	5.3%
2-WEEK	0.1925	0.0025	5.0%
1-MONTH	0.4050	(0.0400)	5.0%
2-MONTH	0.8100	(0.0100)	5.1%
3-MONTH	1.1650	(0.0250)	5.1%
4-MONTH	1.5300	(0.0150)	4.5%
5-MONTH	1.9200	0.0200	4.7%
6-MONTH	2.2500	(0.0150)	5.3%
12-MONTH	4.6000	-	5.8%

Economic Indicators			
Forex Reserves	22-Jul-16	USD bn	22.996
CPI- MoM	1-Jun-16		0.60%
CPI- YoY	1-Jun-16		3.17%
M2 Growth	FY17 YTD		-1.11%
SBP Target Rate	FY16 YTD		5.75%
SBP Discount Rate	FY16 YTD		6.25%
FDI	FY16	USD bn	1.281
Home Remittance	FY16	USD bn	19.914
Current A/C Def.	FY16	USD bn	2.525
Trade -Deficit	FY16	USD bn	20.874
Govt. Domestic Debt	As at 31-12-2015	Rs tm	13.188
External Dbt	As at 30-09-2015	USD bn	55.609
KSE-100 Index	7/26/2016	Pts	39,147.33

Money Market			1-Aug-16
	KIBOR	PKRV	
1-Month	5.74%	5.81%	
3-Month	5.86%	5.79%	
6-Month	5.90%	5.78%	
12-Month	5.95%	5.79%	

PIB'S Auction Date		
Tenor	14-July-16	01-Aug-16
	Cut Off Yields	Bid/Ask
2-Years	-	5.95/85
3-Years	6.2058%	6.15/05
5-Years	6.7029%	6.62/55
10-Years	7.8003%	7.63/57

T-Bills Auction Date		
Tenor	21-July-16	01-Aug-16
	Cut Off Yields	Bid/Ask
3-Months	5.81%	5.81/75
6-Months	5.84%	5.84/79
12-Months	5.86%	5.84/80

Commodities			28-July-2016
Crude Oil Recommendation			
Technical Level	Long@	Short@	
Entry level	41.00	-	
Stop loss	39.00	-	
Take profit	46.00	-	

Gold Recommendation		
Technical Level	Long@	Short@
Entry level	1,325	1,395
Stop loss	1,305	1,405
Take profit	1,355	1,355