

**FX – INTERBANK RATE:**

01-Feb	OPEN	HIGH	LOW	CLOSE	Last Day Close
READY	104.94	104.94	104.92	104.92	104.91

✓ **Forecast for tomorrow:**

As per today's activity, we expect the market to continue to trade within the range of **104.88/104.98**

**HIGHLIGHT OF SBP MONETARY POLICY:**

- ✓ The inflationary environment stayed benign, LSM gained traction, and fiscal consolidation remained on track. Average CPI has declined to 2.1% during 1HFY16, with perishable food items and motor fuel leading the way. Meanwhile trend in YoY CPI inflation has reversed; it rose for 3<sup>rd</sup> consecutive month to 3.2% in December 2015. SBP expects the average inflation in FY16 to remain in the range of 3 to 4%. However, global oil price trends and excess domestic food stocks (wheat, rice, and sugar) may exert downward pressures on inflation. LSMI grew by 4.4% during 5MFY16 as compared to 3.1% in the same period last year. LSM mainly benefitted from monetary easing, falling international prices of key inputs, better energy situation, increased domestic demand for consumer durables, and expansion of construction activities.
- ✓ Pakistan's overall balance of payment position continued to strengthen in 1HFY16. The external CA deficit narrowed down to almost half of the last year's level on account of persistent decline in international oil price and steady growth in workers' remittances.
- ✓ Given depressed outlook of international commodity prices, the external CA deficit is expected to remain lower than last year. With continuation of the IMF EFF and expected disbursements from other official sources, the surplus in capital and financial accounts may increase in the 2<sup>nd</sup> half of FY16. These are expected to have favorable impact on FX reserves.
- ✓ Fiscal deficit was contained to 1.1% of GDP during Q1FY16, compared to 1.2% in the same period last year. This reduction, despite substantial increase in development expenditures during Q1FY16, was due to improvement in tax revenues and containment of current expenditures.
- ✓ The YoY growth in broad money (M2) accelerated largely due to substantial increase in NFA of the banking system. The growth in NDA of the banking system decelerated despite a pickup in private sector credit. On the liability side, deceleration in growth of deposits and acceleration in currency in circulation are source of concern.
- ✓ Some stress in liquidity noticed in Q1FY16 due to increased government borrowing from the scheduled banks steadily eased in Q2FY16 owing to improved revenue collection and timely receipt of foreign flows. Besides this, pressures in FX market also induced volatility in interbank liquidity requirements. This is also evident from movements in O/N REPO Rate which mostly remained slightly above the SBP target rate.
- ✓ Given above the macro economics considerations, SBP has decided to keep the policy rate unchanged to 6.00%.

**MONEY MARKET:**

- ✓ Today MM initiated at 6.10%-6.40% and traded whole day in the range of 6.10%-6.40% and closed at 6.25%-6.40%.

PERIOD	SWAP	Change in	Swap Implied
1-WEEK	0.1200	0.0125	6.3%
2-WEEK	0.2525	0.0150	6.4%
1-MONTH	0.4800	(0.0200)	5.6%
2-MONTH	0.9250	0.0100	5.9%
3-MONTH	1.3100	0.0400	5.5%
4-MONTH	1.6700	0.0400	5.1%
5-MONTH	2.0550	0.0850	5.0%
6-MONTH	2.4100	0.0800	5.4%
12-MONTH	4.6000	-	5.5%

Economic Indicators			
Forex Reserves	22-Jan-16	USD bn	20502
CPI- MoM	01-Jan-16		020%
CPI- YoY	01-Jan-16		330%
M2 Growth	FY15YTD		277%
SBP Target Rate	FY15YTD		6.00%
FDI	6MFY16	USD mn	624.1
Home Remittance	6MFY16	USD bn	9.735
Current A/C Def.	6MFY16	USD bn	1.267
Trade Deficit	6MFY16	USD bn	10098
Domestic Debt	As at 30-10-2015	Rstm	13.004
External Dbt	As at 30-09-2015	USD bn	55.609
KSE-100 Index	27/01/16	Pts	30,08637

Money Market			01-Feb-16	
	KIBOR		PKRV	
1Month	6.53%		6.49%	
3Month	6.56%		6.50%	
6Month	6.62%		6.52%	
12Month	6.91%		6.57%	

PIB'S Auction Date		
Tenor	28-Jan-16	01-Feb-16
	Cut Off	Yeilds Bid/Ask
2Years	-	6.42/38
3Years	6.5002%	6.55/50
5Years	7.5484%	7.53/48
10Years	8.8509%	9.02/8.98

T-Bills Auction Date		
Tenor	21-Jan-16	01-Feb-16
	Cut Off	Yeilds Bid/Ask
3Months	6.16%	6.25/20
6Months	6.18%	6.25/20
12Months	6.23%	6.22/18

Commodities 01/02/16		
Crude Oil Recommendation		
Level	Long@	Short@
Entry level	-	35.70
Stop loss	-	36.70
Take profit	-	33.70

Gold Recommendation		
Level	Long@	Short@
Entry level	1100	1118
Stop loss	1090	1138
Take profit	1120	1090