

1st August 2023

DAILY MARKET REVIEW

| KEY PAKISTAN STATS & ECONOMIC INDICATORS | | | |
|--|------------------------|--------|-------------|
| Items | Period | Unit | Figure |
| Foreign Exchange-FX-Reserves | | | |
| FX-Reserves-WoW | 21-Jul-23 | USD bn | 13.534 |
| FE-25 Import Financing | May, 2023 | USD bn | 1.30 |
| SBP Forward/Swap Position | May, 2023 | USD bn | (4.47) |
| Net International Reserves-NIR (EST) | 21-Jul-23 | USD bn | (26.50) |
| Kerb USD/PKR- Buying/Selling Avg. Rate | 1-Aug-23 | Rs | 289.50 |
| Real Effective Exchange Rate-REER | June, 2023 | Rs | 87.75 |
| Net Roshan Digital Account-RDA | Sep 20 to FY23 | USD bn | 1.12 |
| Consumer Price Index-CPI | | | |
| Sensitive Price Index-SPI-WoW | 26-Jul-23 | bps | 268.08 |
| CPI (YoY) | June, 2023 | % | 29.40 |
| CPI- (MoM) | June, 2023 | % | (0.30) |
| CPI-Urban-YoY | June, 2023 | % | 27.30 |
| CPI-Rural-YoY | June, 2023 | % | 32.40 |
| PAK CPI-YoY minus US CPI-YoY | 29.40%-3.0% | % | 26.40 |
| Broad Money Supply-M2 Growth: | | | |
| M2 Growth-YoY | 1 Jul 23 To 14 July 23 | % | (2.02) |
| Net Govt. Sector Borrowing | 1 Jul 23 To 14 July 23 | Rs bn | (300.21) |
| GOVT. Borrowing for budgetary support from SBP | 1 Jul 23 To 14 July 23 | Rs bn | (228.99) |
| Private Sector Credit-PSC | 1 Jul 23 To 14 July 23 | Rs bn | (170.30) |
| Govt. Foreign Commercial Banks Borrowing | FY-23 | USD bn | 2.21 |
| Policy Rate | | | |
| SBP Policy Rate | FY-24 YTD | % | 22.00 |
| SBP O/N REPO & Reserve REPO Rate | Floor & Ceiling | % | 21.00-23.00 |
| SBP PR minus USD FED Fund Rate | 22.00%-5.25% | % | 16.75 |
| 1-Year KIBOR minus 1-Year LIBOR | 22.69-6.04% | % | 16.65 |
| FX-Economic Data | | | |
| Foreign Direct Investment-FDI | FY-23 | USD bn | 1.46 |
| Home Remittance | FY-23 | USD bn | 27.024 |
| Trade Bal-S/(D) | FY-23 | USD bn | (24.80) |
| CAB-S/(D) | FY-23 | USD bn | (2.56) |
| Special Convertible Rupee Account-SCRA | | | |
| SCRA-Cumulative inflow/(outflow) | July 23 till date | USD bn | 3.18 |
| SCRA-MTB+PIB inflow/(outflow) | July 23 till date | USD bn | 0.00 |
| Govt., Circular Debt & External Liabilities | | | |
| Govt. Domestic Debt & Liabilities | As at 31-5-2023 | Rs trn | 37.89 |
| External Debt | As at 31-3-2023 | USD bn | 12.726 |
| Central Govt. Debt (Domestic + External) | As at 31-5-2023 | Rs trn | 58.962 |

ECONOMIC DATA:

- ✓ **Summary of Monetary Policy Statement-MPS**
- ✓ **Real sector** The latest high-frequency indicators up to June 2023 continue to show weak economic activity, broadly in line with the provisional estimates of 0.3% real GDP growth in FY23; a sharp decline from around 6% growth in the previous 2-yrs. Looking ahead, barring unforeseen events, the MPC expects economic activity to moderately recover in FY24, supported by a rebound in rice and cotton output.
- ✓ **External sector** With the CAB recording a surplus for the 4th consecutive month in June, the cumulative CAD in FY23 substantially narrowed to 0.7% of GDP from 4.7% in `FY22. The MPC noted that this improvement primarily stems from policy-induced compression in imports, which more than offset the decline in exports and workers' remittances during the year. Going forward, the CAD is expected to remain contained in the range of 0.5% to 1.5% of GDP in FY24.
- ✓ **Money and credit** M2 growth increased to 14.4% in FY23 from 13.6% in FY22. This higher M2 growth was mainly driven by increased public sector borrowing, especially budgetary borrowing from the commercial banks amidst reduced foreign inflows. Growth in PSC, on the other hand, decelerated substantially, in line with the slowdown in economic activity and tight monetary policy stance.
- ✓ **Inflation outlook** CPI has moderated considerably from its peak of 38% y/y in May 2023 to 29.4% in June. The decline was broad-based. Looking ahead, the MPC expects the y/y inflation to remain generally on a downward trajectory due to subdued domestic demand amid tight monetary policy stance, favorable outlook for global commodity prices, and positive base effect. MPC projects average inflation in the range of 20% to 22% in FY24, down from 29.2% in FY23. The MPC's assessment shows inflation to fall gradually during the 1HFY24, before falling below 20% in the 2nd half.
- ✓ After assessing all the above macro-economic indicators, MPC decided to keep the PR unchanged at 22%.
- ✓ **Pakistan Investment Bonds-PIB When-Issue Yields-%**

| Date 1-Aug-23 Pakistan Investment Bonds-PIB When-Issue Yields-% | | |
|--|--------------------|-------|
| Period | When-Issue Yield-% | |
| | Bid | Ask |
| 3-Yrs | 19.60 | 19.50 |
| 5-Yrs | 17.10 | 16.80 |
| 10-Yrs | - | - |

| Interbank READY Rates- PKR-Rs 1-Aug-23 | | |
|--|--------|--------------------|
| Open | 286.50 | Last Day Close-LDC |
| High | 287.50 | |
| Low | 286.25 | 286.63 |
| Close | 287.45 | |

| DAILY USD/PKR SWAP YIELDS-% | | | |
|-----------------------------|---------|--------------------|------------------------|
| PERIOD | SWAP | Change in Premiums | Swap Implied PKR Yield |
| 1-Week | 0.9100 | (0.0300) | 21.65% |
| 2-Week | 1.8350 | (0.1650) | 21.88% |
| 1-Month | 3.8500 | (0.2000) | 21.18% |
| 2-Month | 6.8000 | - | 19.66% |
| 3-Month | 9.8500 | (0.5000) | 19.35% |
| 4-Month | 12.3000 | (0.2000) | 18.38% |
| 5-Month | 15.2000 | (0.0500) | 18.38% |
| 6-Month | 18.2500 | (0.5000) | 18.64% |
| 9-Month | 21.5000 | (0.5000) | 15.87% |
| 1-Year | 25.0000 | (0.5000) | 14.67% |

| MONEY Market-MM Over-Night-O/N Rates-% 1-Aug-23 | | |
|---|-------|--------------------|
| Open | 21.25 | Last Day Close-LDC |
| High | 21.40 | |
| Low | 21.05 | 21.10 |
| Close | 21.05 | |

| KIBOR AND PKRV RATES (%) 31-Jul-23 | | |
|------------------------------------|---------|--------------|
| Tenor | KIBOR-% | PKRV Rates-% |
| 1-M | 22.27 | 22.54 |
| 3-M | 22.89 | 22.95 |
| 6-M | 22.97 | 22.99 |
| 12-M | 22.99 | 23.02 |

| Period | 4-July-23 | 1-Aug-23 | |
|--------------|------------------|----------|--------|
| | Cut Off Yields-% | Bid-% | Ask-% |
| 3-Yrs | 19.3500 | 19.55 | 19.30 |
| 5-Yrs | 13.8000 | 17.00 | 16.75 |
| 10-Yrs-Fixed | 12.9500 | 15.00 | 14.20 |
| Floating | 17.8255 | 102 | 101.75 |
| 15-yrs* | - | 15.45 | |
| 20-yrs* | - | 15.44 | |

| Market Treasury Bills-MTB | | | |
|---------------------------|------------------|----------|-------|
| Tenor | 26-Jul-23 | 1-Aug-23 | |
| | Cut Off Yields-% | Bid-% | Ask-% |
| 3-M | 22.9788 | 22.40 | 22.25 |
| 6-M | 22.9201 | 21.80 | 21.60 |
| 12-M | 22.9991 | 17.15 | 16.80 |

Note: * The secondary yields for 15 & 20-years Bonds are not available, so instead of leaving it blank, we inputted PKRV Rates.