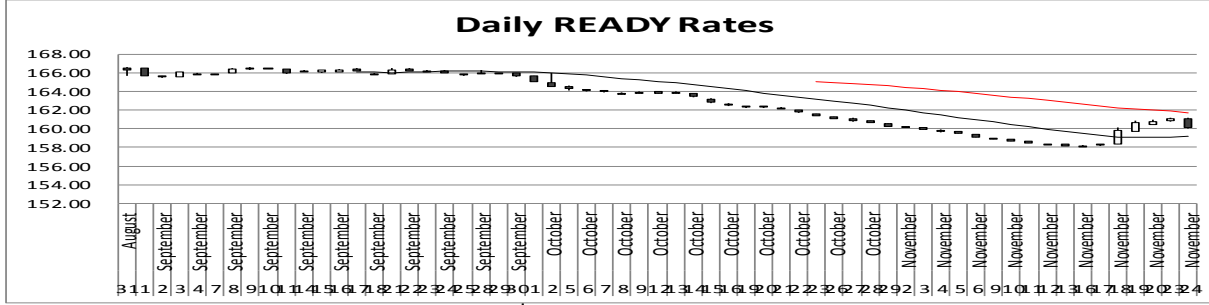


DAILY C&M MARKET REVIEW

FX-MARKET:

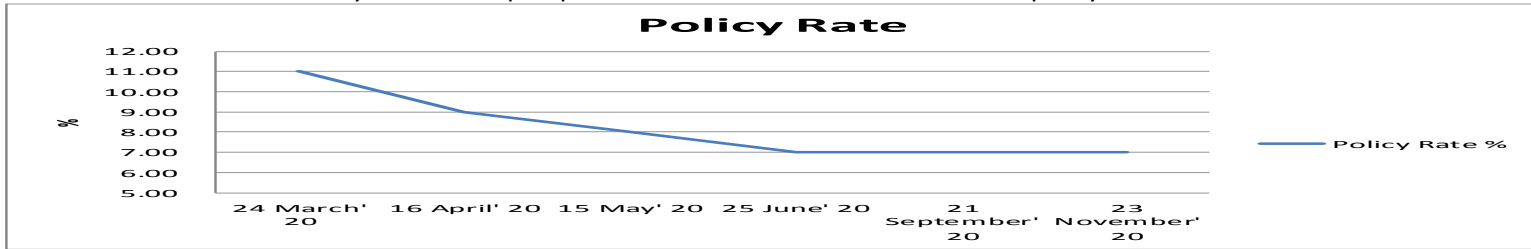
- ✓ Today in interbank session, PKR strengthened by 96paise against the Yesterday's close at Rs161.05 to Rs160.09.
- ✓ During the day, USD/PKR traded within the range of Rs1 & 15paise from low at Rs160.00 to high at Rs161.15.



Ready Rates-PKR		24-11-20	
Open	161.10	Last Day Close-LDC:	161.05
High	161.15		
Low	160.00		
Close	160.09		

SUMMARY OF MONETARY POLICY STATEMENT 23<sup>rd</sup> NOVEMBER 2020:

- ✓ The MPC noted that since the last meeting in September, the domestic recovery has gradually gained traction, in line with expectations for growth of slightly above 2.0% in FY21, and business sentiment has improved further. Nevertheless, there are risks to the outlook. The recent rise in Covid cases in Pakistan and many other countries presents considerable downside risks. On the upside, while it could take some time to fully implement worldwide, there has been recent encouraging news on vaccine development. On the inflation front, recent out-turns have been on the higher side, primarily due to increases in food prices. However, these supply-side pressures are likely to be temporary and average inflation is expected to fall within the previously announced range of 7% to 9% for FY21.
- ✓ Recent data suggest a further strengthening and broadening of the recovery observed since July, led by construction and manufacturing. Sales of FMCG rebounded in 1QFY21, average sales volumes of POL and automobiles have surpassed their pre-Covid levels of FY20, and cement sales are at an all-time high. LSM continues to rebound, expanding by 4.8% YoY in 1QFY21, against a contraction of 5.5% in the same quarter last year.
- ✓ The MPC noted that the recovery was being supported by stimulus provided by the government, the round of policy rate cuts and the SBP's timely measures to mitigate the impact of the COVID pandemic.
- ✓ The external sector continues to strengthen, with the current account in FY 21 Q1 recording the 1<sup>st</sup> quarterly surplus in more than 5-years. After remaining in positive territory for all 4-months of this fiscal year, the cumulative current account through October reached a surplus of \$1.2bn against a deficit of \$1.4bn in the same period last year. This turnaround was supported by an improvement in the trade balance and record remittances. Exports have recovered to their pre-COVID monthly level of around \$2bn in September and October.
- ✓ The sizable current account surplus and improving outlook and sentiment for the economy have supported a 3½% appreciation in the PKR since the last MPC and further strengthened external buffers, with SBP's FX-Reserves increasing to \$12.9bn, their highest level since February 2018. Based on the performance to date, the outlook for the external sector has improved further and the CAD for FY21 is now projected to be below 2% of GDP.
- ✓ The MPC viewed that overall financial conditions remain appropriately accommodative, with the RIR remaining in slightly negative territory on a forward-looking basis. While PSC growth is moderate on a YoY basis, its MoM momentum is reverting to pre-Covid trends. With higher risk aversion on the part of commercial banks, the expansion in credit to the private sector has been supported by SBP's temporary and targeted refinance schemes introduced in the aftermath of the Covid-19 shock.
- ✓ After falling sharply since January, headline inflation has remained close to 9% during the last 2-months, primarily driven by sharp increases in selected food items due to supply-side issues. In contrast, core inflation has been relatively moderate and stable, in line with subdued underlying demand in the economy. In addition, recent SPI releases suggest a weakening in the momentum of food prices, as the Govt. has taken various measures to address supply-side issues. Over the next few months, these measures, together with favorable base effects and spare capacity in the economy should help contain inflation.
- ✓ After considered all above key trends and prospects the MPC decided to maintain the policy rate at 7.00% for next 2-months.



MONEY MARKET-MM:

- ✓ Today MM initiated the market at 7.20% and traded whole day within the range at 7.10%-7.30% and closed at 7.20%.

ECONOMIC DATA RELEASED DURING THE LAST 24-HOURS

Date	Event	Impact	Actual	Forecast	Previous
23/11/2020	SBP Monetary Policy Decision	HIGH	7.00%	7.00%	7.00%

COMMODITIES MARKET:

- ✓ **GOLD:** During the last 4-hours, Gold took correction and started to trade higher but later dropped down lower as it resumed its lower run indicating that yellow metal will continue its declining trend and moving further lower the next target it would find at \$1,800. But before moving further lower, yellow metal may take correction and go higher as RSI-14-Days are continuously trading below at 30level (oversold condition) at 19level. Yellow metal is currently trading at \$1,811.25 per ounce.
- ✓ **CRUDE-OIL:** During the last 4-hours, Crude Oil took correction and came down lower as RSI-14-Days are continuously trading at 70level (overbought condition) We expect that black gold may continue its corrective mode and move lower. On the other hand, black gold resumes its upward trend and moving further higher the next target it would find at \$43.90. Black gold is currently trading at \$43.40 per barrel.

USD/PKR SWAP YIELDS-%				ECONOMIC INDICATORS		KIBOR AND PKRV RATE (%) 24-Nov-20					
PERIOD	SWAP	Change in Premiums	Swap Implied PKR Yield	Items	Period	Unit	Figure	Tenor	KIBOR-%	PKRV Rates-%	
1-Week	0.2411	(0.0075)	7.96%	Gross Domestic Product-GDP	1QFY-20/21	USD bn	68.21	1-Month	6.92	7.08	
1-Month	1.0027	(0.0356)	7.52%	Large Scale Manufacturing Industries-LSMI	2MFY-20/21	bps	130.91	3-Month	7.04	7.12	
2-Month	1.8653	(0.0714)	7.39%	Foreign Exchange-FX Reserves	13-Nov-20	USD bn	20.085	6-Month	7.10	7.18	
3-Month	2.6450	(0.1047)	6.92%	FX-Reserves-WoW	September, 2020	USD mn	323	12-Month	7.19	7.30	
4-Month	3.3575	(0.0434)	6.51%	FE-25 Import Financing	31-Oct-20	USD bn	(4.885)	Pakistan Investment Bonds-PIB's			
5-Month	4.0412	(0.0447)	6.27%	SBP Forward/Swap Position	13-Nov-20	USD bn	(10.850)	Period	11-Nov-20	24-Nov-20	
6-Month	4.6516	(0.1339)	6.02%	Net International Reserves-NIR (EST)	24-Nov-20	Bid/Ask	160.25/161.25	Cut Off Yields-%	Bid-%	Ask-%	
1-Year	8.7433	(0.0177)	5.80%	Kerb USD/PKR	September, 2020	Rs	94.12	2-Yrs	-	8.12	8.08
				Real Effective Exchange Rate-REER	19-Nov-20	bps	143.05	3-Yrs	8.2400	8.30	8.25
				Consumer Price Index-CPI	October, 2020	%	8.91	5-Yrs	8.4500	9.05	9.03
				Sensitive Price Index-SPI-WoW	October, 2020	%	1.70	10-Yrs-Fix	8.9900	9.85	9.80
				CPI (YoY)	October, 2020	%	7.30	Floating	7.5498	102	101.75
				CPI (MoM)	October, 2020	%	7.30	15-years*	10.0000		10.25
				CPI-Urban YoY	October, 2020	%	11.40	20-years*	10.5498		10.50
				CPI-Rural YoY	October, 2020	%	7.51	Market Treasury Bills-MTB			
				PAK CPI-YoY minus US CPI-YoY	1 July 20 - 30-Oct 20	%	8.91%-1.40%	Tenor	18-Nov-20	24-Nov-20	
				M2 Growth	1 July 20 - 30-Oct 20	%	0.36	Cut Off Yields-%	Bid-%	Ask-%	
				Net Govt. Sector Borrowing	1 July 20 - 30-Oct 20	Rs bn	142.79	3-M	7.1525	7.13	7.11
				GOVT. Borrowing for budgetary support from SBP	1 July 20 - 30-Oct 20	Rs bn	213.59	6-M	7.1998	7.18	7.17
				Credit to Private Sector-YoY	1 July 20 - 30-Oct 20	Rs bn	(46.36)	12-M	7.2498	7.32	7.30
				Govt. Foreign Commercial Banks Borrowing	FY-19/20	USD bn	4.855	Note: * The secondary yields for 15 & 20-years Bonds are not available, so instead of leaving it blank, we inputted PKRV Rates.			
				Policy Rate	FY-20/21 YTD	%	7.00				
				SBP O/N REPO & Reserve REPO Rate	Floor & Ceiling	%	6.00-8.00				
				SBP Policy Rate minus USD FED Fund Rate	7.20%-0.25%	%	6.75				
				1-Year KIBOR minus 1-Year LIBOR	7.20%-0.34%	%	6.86				
				FX-Economic Data	4MFY-20/21	USD mn	733.10				
				Foreign Direct Investment-FDI	4MFY-20/21	USD mn	1.160				
				Current Account (Deficit)/Surplus	4MFY-20/21	USD mn	1.30				
				CAS % of GDP	4MFY-20/21	%	7.533				
				Trade Deficit	4MFY-20/21	USD bn	14.62				
				GOVT. Circular Debt & External Liabilities	As at 31-8-2020	Rs trn	112.858				
				Government Domestic Debt & Liabilities	As at 30-6-2020	USD bn	2.15				
				External Debt	FY-19/20	Rs trn					
				Circular Debt							
				Rating & Outlook	Standard & Poor's-S&P	Rating & Outlook	Rank				
				Moody's	Rating & Outlook	Rank	B3-Stable				
				Stock Exchange & Market Index	24-Nov-20	Pts	1,219.85				
				MSCI Emerging Market Index-EMI	24-Nov-20	Pts	89,863.86				
				Pakistan Stock Exchange-PSX-100 Index	23-Nov-20	USD '000	(992.471)				
				Foreign Investor Portfolio Investment-FPI	1 July 20 To-Date	USD mn	(468.75)				
				Special Convertible Range Account-SCRA	1 July 20 To-Date	USD mn	(263.37)				
				SCRA-Bills & PIB's	Nov-20	USD mn	22.71				
				SCRA-T-Bills & PIB's							