

DAILY C&M MARKET REVIEW**FOREIGN-EXCHANGE-FX-MARKET:****ECONOMIC-NEWS:**

- ✓ **SBP allows startups convertible debt:** Yesterday, SBP has allowed startups to avail loans as “convertible debt” in order to facilitate them in raising financing from abroad. “Convertible debt is a type of financing which provides the option to convert loan into equity shares of the borrowing company, subject to certain terms and conditions,” “Before the latest instructions, entities were allowed to raise FC-loans from abroad within the parameters defined in Chapter 19 of FX-Manual, but there was no specific category that provided the option of converting the loan into equity of the borrowing company.” The SBP expects that this initiative will help attract higher amount of foreign investment as it will provide another option to international investors to pour money into startups operating in Pakistan.
- ✓ **Rise in bank deposits outpaces advances growth in 10MFY21:** Banks’ deposits have been increasing much faster than the advances during the 10MFY-21 with the half-yearly data of the SBP showing an increase of Rs1.43trn in the former.
- ✓ However, the deposits growth did not reflect the banks performance on advances as these grew by Rs545.6bn during the same period. Meanwhile, investment during the same period increased by 15.0%, reflecting the banks’ higher liquidity and easy approach of investing in government papers instead of making advances.
- ✓ The stock of banks’ deposits in July 20 was Rs16.12trn which increased to Rs17.56trn in April 21. The deposits increased by 8.90% during the 10MFY while advances increased by 6.70% to reach at Rs8.11trn in April 21.

Ready Rates-PKR				27/5/2021	
Open	154.85			Last Day Close LDC: 154.78	
High	155.30				
Low	154.75				
Close	154.84				
USD/PKR SWAP YIELDS-%					
PERIOD	SWAP	Change in Premiums	Swap Implied PKR Yield		
1-Week	0.1510	(0.0091)	5.15%		
2-Week	0.3051	(0.0133)	5.21%		
1-Month	0.7497	(0.0521)	5.45%		
2-Month	1.5521	(0.0349)	6.12%		
3-Month	2.3689	(0.0323)	6.22%		
4-Month	3.2118	(0.0519)	6.27%		
5-Month	4.0207	(0.0452)	6.37%		
6-Month	4.8577	(0.0261)	6.41%		
9-Month	7.7927	0.0031	7.08%		
1-Year	10.4308	(0.0317)	7.00%		
FOREIGN EXCHANGE-FX ECONOMIC INDICATORS					
Items	Period	Unit	Figure		
Gross Domestic Product-GDP					
GDP	10MFY-20/21	USD bn	246.728		
Foreign Exchange-FX Reserves					
FX-Reserves-WoW	7-May-21	USD bn	22.91		
FE-25 Import Financing	April, 2021	USD mn	485		
SBP Forward/Swap Position	31-Mar-21	USD bn	(4.285)		
Net International Reserves-NIR (EST)	7-May-21	USD bn	(4.562)		
Verb USD/PKR	27-May-21	Bid/Ask	154.50/155.50		
Real Effective Exchange Rate-REER	March, 2021	Rs	100.50		
FX-Economic Data					
Foreign Direct Investment-FDI	10MFY-20/21	USD bn	1.55		
Home Remittance	10MFY-20/21	USD bn	24.246		
CAB-S(D)	10MFY-20/21	USD mn	773.000		
CAB-S(D) % of GDP	10MFY-20/21	%	0.30		
Trade Balance-S(D)	10MFY-20/21	USD bn	(22.736)		
GOVT. Circular Debt & External Liabilities					
Government Domestic Debt & Liabilities	As at 31-3-2021	Rs tm	15.88		
External Debt	As at 31-3-2021	USD bn	90.284		
Central Debt	9MFY-20/21	Rs tm	25.55		

IBOR AND PKRV RATE (%) 27-May-21			
Tenor	KIBOR-%	PKRV Rates-%	
1-Month	6.99	7.21	
3-Month	7.22	7.40	
6-Month	7.47	7.60	
12-Month	7.57	7.70	
Pakistan Investment Bonds-PIB's			
Period	7-May-21	27-May-21	
	Cut Off Yields-%	Bid-%	Ask-%
2-Yrs	-	8.06	8.04
3-Yrs	8.7000	8.74	8.72
5-Yrs	9.2000	9.25	9.22
10-Yrs-Fix	9.8390	10.00	9.90
Floating	8.0501	102	101.75
15-years*	10.4000	10.27	
20-years*	10.5600	10.45	
Market Treasury Bills-MTB			
Tenor	20-May-21	27-May-21	
	Cut Off Yields-%	Bid-%	Ask-%
3-M	7.3492	7.35	7.33
6-M	7.6000	7.62	7.58
12-M	7.6898	7.68	7.64
Note: * The secondary yields for 15 & 20-years Bonds are not available, so instead of leaving it blank, we inputted PKRV Rates.			
MONEY MARKET-MM ECONOMIC INDICATORS			
Items	Period	Unit	Figure
Large Scale Manufacturing Industries-LSMI			
LSMI	7MFY-20/21	bps	149.88
Consumer Price Index-CPI			
Sensitive Price Index-SPI-WoW	20-May-21	bps	150.23
CPI (YoY)	April, 2021	%	11.10
CPI-(MoM)	April, 2021	%	1.00
CPI-Urban-YoY	April, 2021	%	11.00
CPI-Rural-YoY	April, 2021	%	11.30
PAK CPI-YoY minus US CPI-YoY	11.10%-2.60%	%	8.50
M2 Growth			
M2 Growth-YoY	1 July 20 - 7-May 21	%	7.54
Net Govt. Sector Borrowing	1 July 20 - 7-May 21	Rs bn	621.31
GOVT. Borrowing for budgetary support from SBP	1 July 20 - 7-May 21	Rs bn	576.95
Credit to Private Sector-YoY	1 July 20 - 7-May 21	Rs bn	420.72
Govt. Foreign Commercial Borrowing	10MFY-20/21	USD bn	3.25
Policy Rate			
SBP Policy Rate	FX 30/21 YTD	%	7.00
SBP O/N REPO & Reserve REPO Rate	Floor & Ceiling	%	6.00-8.00
SBP Policy Rate minus USD FED Fund Rate	7.00%-0.25%	%	6.75
1-Year IBOR minus 1-Year LIBOR	7.74%-0.28%	%	7.46
Rating & Outlook			
Standard & Poor's SBP	Rating & Outlook	Rank	B-
Moody's	Rating & Outlook	Rank	B3-Stable
Stock Exchange & Market Index			
MSCI-Emerging Market Index-EM	27-May-21	Pts	1,352.66
Pakistan Stock Exchange-PSX-100 Index	27-May-21	Pts	46,765.15
Foreign Investor Portfolio Investment-FPI	26-May-21	USD '000	(3,132,299)
Special Convertible Rupee Account-(s-SCRA)			
SCRA-Cumulative	1 July 20 To-Date	USD mn	(483.50)
SCRA-T-Bills & PIB's	1 July 20 To-Date	USD mn	(87.42)
SCRA-T-Bills & PIB's	May-21	USD mn	(55.91)
US-LIBOR Rate 25/5/2021			
Tenor	Units	LIBOR Rate	
3-Month	%	0.13850	
6-Month	%	0.17675	
12-Month	%	0.25600	

MONEY MARKET-MM:

- ✓ Today, MM initiated at 6.50% and traded whole day within the range at 6.10%-7.00% and closed at 6.10%.

ECONOMIC-NEWS:

- ✓ **Sales tax remains top revenue contributor in July-Dec:** The sales tax remained top revenue contributor with 41.50% share in the total tax collection of the FBR during the 1HFY21, followed by direct taxes with 37.60%, customs duty 15.30% and the FED 5.60% share.
- ✓ Yesterday, FBR released the report the shares of customs duty and FED have declined slightly.
- ✓ The reason of declining share of customs duty is also attributed to the Covid-19-related exemptions on medical equipment w.e.f. July 2020, which has been around Rs3.70bn.
- ✓ Similarly, the FED collection has been affected because of declining revenue from Air Travel by Rs14.30bn during 1HFY21. Moreover, collection from withholding at import stage has been lesser by around Rs15bn during the period under review.
- ✓ **ECNEC approves Rs361b projects:** Yesterday, The Govt. approved 9-mega development projects at a cost of Rs361.0bn and almost all of them were brought for the 2nd time before a project approval authority due to cost overruns and weak execution.
- ✓ Federal Minister for Finance virtually chaired the meeting of the ECNEC, which gave approval to all the projects, including the 306km-long Hyderabad-Sukkur motorway to be built with support of the private sector.

COMMODITIES- MARKET:

- ✓ **GOLD-SPOT:** During the last 4-hours, Gold traded and closed at low note indicating that yellow metal will move higher until prices remain above from \$1891. While moving higher, it may again visit the previous high at \$1905. Yellow metal is currently trading at \$1895.05 per ounce.
- ✓ **CRUDE-OIL:** During the last 4-hours, Crude-oil traded lower and comprehensively breached the support at \$65.73 and closed below it indicating that black gold will move lower until prices stay below from \$65.80. While moving lower the next support it would find at \$65.0. Black gold is currently trading at \$65.63 per barrel.

WORLD ECONOMIC DATA RELEASED DURING THE LAST 24-HOURS

Date	Events	Actual	Forecast	Previous
26-5-21	USD Crude Oil Inventories	-1.7M	-1.0M	1.3M

Source: www.forexfactory.com