

FX - INTERBANK:**READY MARKET:**

2-May	OPEN	HIGH	LOW	CLOSE	LDC
READY	98.65	98.85	98.70	98.74/78	98.52

Last day Close=LDC

Forecast for tomorrow:

- ✓ In light of today's activity, we expect the market to continue to trade within the **98.50/98.80** levels range.

SWAP MARKET:

- ✓ Swap premiums today follow-up the gains persisted in all tenors as the greenback strengthened; as today market saw price movement reflected in demand and supply rather than trend setting. We expect the swap rates to remain at these levels with a downward bias.

MONEY MARKET:

- ✓ The 7day OMO conducted today failed to ease off the money market after SBP injected Rs **405bn** out of the total bid amount out of Rs **423bn** which was accepted at **9.99%**. The CPI figure for April shoot up to **9.18%** (YOY) against **8.53%** (YOY) the previous month, while the month-on-month (MoM) basis it doubles to **1.70%** against 0.96% last month, which is much higher than market expectations.

Impact of high CPI on the upcoming MPS:

- ✓ The higher CPI figure now quashes any hope for an interest rate cut for the MPS meeting scheduled for the mid of this month. With average inflation for 10 months for FY14 at **8.69%** versus **7.75%** for the same period last year, the real interest rate differential of only 1.31% would make the case very difficult for a reduction in the discount rate which now stands at **10%**.
- ✓ The higher CPI print, also took of all the steam in the bond market as bond yields retraced back from the lows printed earlier in the week. Before CPI the PIB for 3, 5 and 10 years tenors traded at **11.65%**, **12.20%** and **12.60%** respectively. But after today's high CPI figure the bond yields to be on an average by 25 bps and now traded at **11.90%**, **12.42%** and **12.80%** for 3, 5 and 10 years respectively

Currency	Ask	MoM % Change
PKR-USD	98.72	0.06%
PKR-EUR	136.82	0.38%
PKR-JPY	0.9634	0.73%
PKR-GBP	166.68	1.18%

Parity

TENOR	SWAP	MONEY	Swap Implied PKR Yield
1-WEEK	0.1584	10.08%	8.5%
2-WEEK	0.2800	10.06%	7.6%
1-MONTH	0.4919	10.10%	6.0%
2-MONTH	0.9396	10.14%	5.9%
3-MONTH	1.3582	10.15%	5.6%
4-MONTH	1.7641	10.19%	5.6%
5-MONTH	2.1829	10.19%	5.6%
6-MONTH	2.6311	10.19%	5.6%
12-MONTH	6.0554	10.06%	6.7%

Economic Indicators

		USD bn	
Forex Reserves	18-April-14	11.75	
CPI- MoM	1-Mar-14	0.96%	
CPI- YoY	1-Mar-14	8.53%	
M2 Growth	FY14 YTD	5.69%	
SBP Policy Rate	FY14 YTD	10.00%	
Home Remittance	July- Mar-14	11.58	
Current A/C Def.	July-Mar-14	2.17	
Trade -Deficit	July-Mar-14	13.93	

Money Markets

	Ask	Bid
KIBOR	02 May 2014	
1 Month	10.37%	9.87%
3 Month	10.18%	9.93%
6 Month	10.18%	9.93%
12 Month	10.45%	9.95%
	Auction 30 April 2014	
	Cut-off	Bid/Ask
T-bill Yield	02 May 2014	
3M T-bill	9.9383%	9.90/9.93
6M T-bill	9.9675%	9.95/9.92
12M T-bill	9.9932%	9.99-Bid
	Auctions	
PIB Yield	24 April 2014	02 May 2014
3Year	12.0930%	11.88/95
5Year	12.5521 %	12.35/42
10Year	12.9016%	12.76/82