

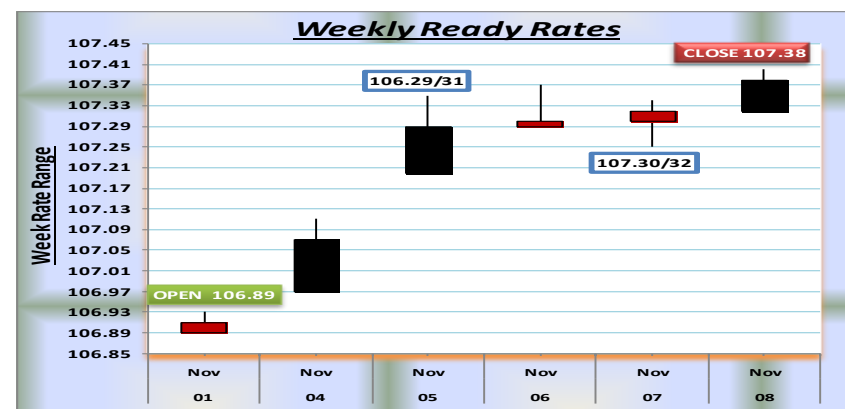
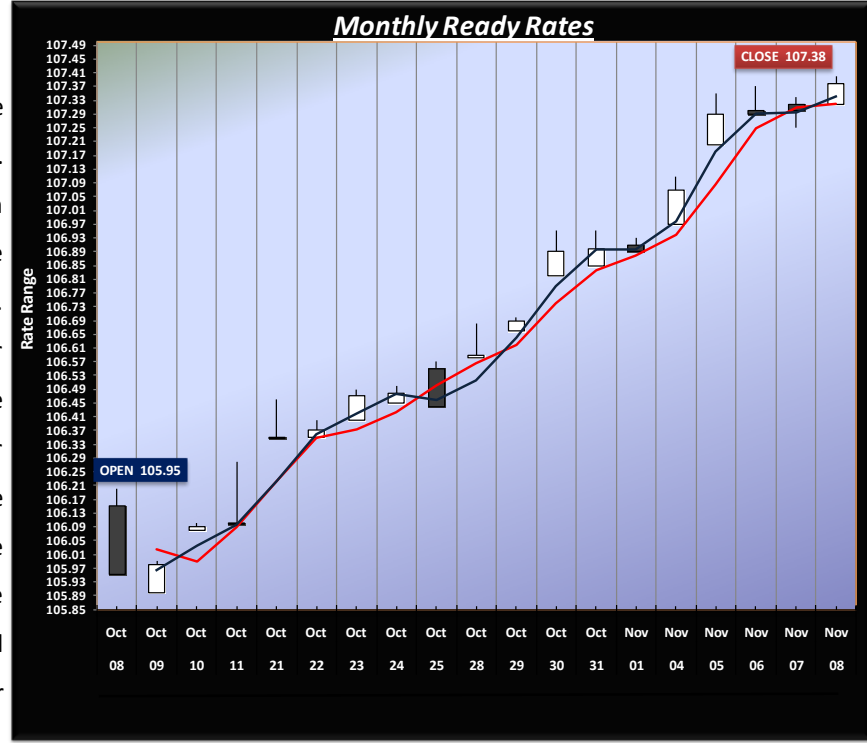


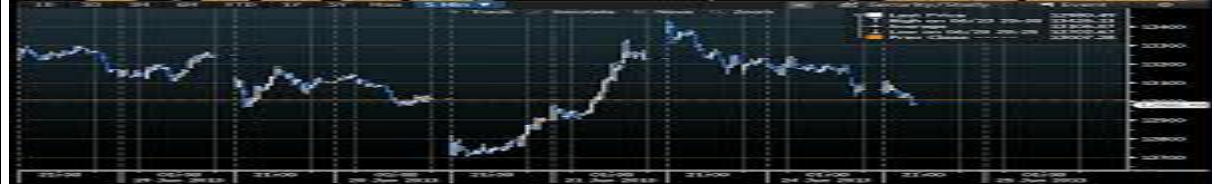
Market Recap:
Currency Analysis:

Rupee remained under continuous pressure as it got battered against the dollar last week in the interbank market. An uptrend in rates was witnessed after the dollar crossed the **107** mark. Dollar transacted at Rs.106.89 at the start and Rs.107.38 at the end of the last week which justifies the upward movement in dollar rates. The local currency's downward rally against the greenback seemed never-ending, which was mostly on account of strong demand for the latter. It is expected that the country would make a loan repayment of \$670 million during November 2013 which might further depress the value of rupee. Country's dwindling foreign exchange reserves are also under immense pressure due to a rise in demand for dollars needed for payment of export bills, bills on oil, commodities and industrial raw material imports. So far, the depreciating value of the rupee has already caused an increase of about Rs278 billion in the country's debt. If the required measures are not taken by the government to rectify the exchange rate regime, country might plunge into a financial abyss. In this case, Pakistan would have to face a 5.1% increase in value of IMF loan payments due to the difference in rupee-dollar parity till 2015. Looking at this point of time the rupee seems to be fighting a prolonged battle. Given the high trade deficit, drying up of capital flow, the rupee is getting weaker day by day.

Technical Snapshot:

Technically the greenback ended the week higher at a level of **(107.38)**. The weekly candlestick shows a mixed belt hold formation, suggesting that the bulls dominated the week right from the beginning till the end of the week had an upper hand. The tweezer top formation suggesting that low of last week **(107.38)** and **(107.45)** indicates a strong support at these levels and a strong rise confirms the same.





Swap Market Analysis:

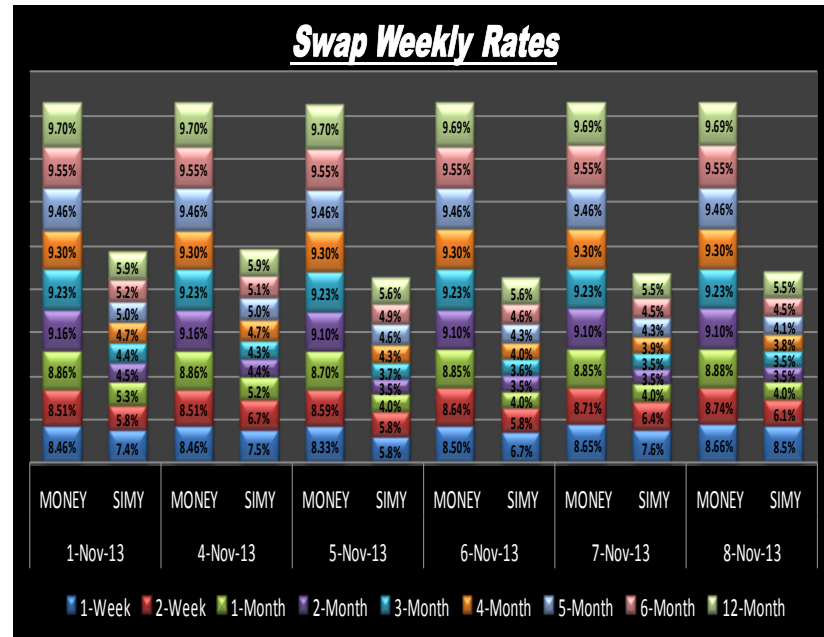
It has been a bumpy ride for PKR against USD last week; it becomes clear that it's difficult for local currency to remain resistant. Continuing uncertainty and speculations about existing economic situation and the volatile law and order situation have pushed Pak rupee to record low. Last Friday IMF officials ended their visit before second trench of US 550 million dollar, and satisfied to some extent regarding economic concerned. They pointed-out concerned over the financial situation in Pakistan's remains dire. Country foreign exchange reserves have dwindled to about \$4 billion, or the equivalent of four week's worth of imports, and several large repayments fall due in the next six months. Most importantly tax collection is a huge hurdle in a country where just 0.57 per cent of Pakistani citizens paid income tax last year, contributing to one of the lowest tax-to-GDP ratios in the world. Public services are woefully underfunded. MPS also due in this month, it is likely expected to adopt a tight monetary policy for next two months to contain rising inflationary pressure on the economy and stabilize the exchange rate. The inflationary pressure on the economy is rapidly rising and CPI inflation surged to 9.1% in October 2013 (YoY) basis because of 16% increase in electricity tariff and some uptick in food inflation. Due to this effect it is expecting a minimum increase of 25bps-50bps in key policy rate by the SBP aimed at containing inflation. If such a trend of record fall of Pakistan's rupee goes on nonstop than the nation may face dismal balance of payments position for the (FY) 2014-15.

Technical Snapshot:

Last week, swap market initially witnessed a sharp drift in all tenor but later-on persisted rise which was regained amid fresh USD demand in the market. In coming weeks, we might see the waning rupee (PKR) is expected to remain under-pressure against the USD as a high inflationary pressure and heavy debt repayment putting a further dent in the country reserves.

Date		1-Week	2-Week	1-Month	2-Month	3-Month	4-Month	5-Month	6-Month	12-Month
1-Nov-13	MONEY	8.46%	8.51%	8.86%	9.16%	9.23%	9.30%	9.46%	9.55%	9.70%
	SIMY	7.4%	5.8%	5.3%	4.5%	4.4%	4.7%	5.0%	5.2%	5.9%
4-Nov-13	MONEY	8.46%	8.51%	8.86%	9.16%	9.23%	9.30%	9.46%	9.55%	9.70%
	SIMY	7.5%	6.7%	5.2%	4.4%	4.3%	4.7%	5.0%	5.1%	5.9%
5-Nov-13	MONEY	8.33%	8.59%	8.70%	9.10%	9.23%	9.30%	9.46%	9.55%	9.70%
	SIMY	5.8%	5.8%	4.0%	3.5%	3.7%	4.3%	4.6%	4.9%	5.6%
6-Nov-13	MONEY	8.50%	8.64%	8.85%	9.10%	9.23%	9.30%	9.46%	9.55%	9.69%
	SIMY	6.7%	5.8%	4.0%	3.5%	3.6%	4.0%	4.3%	4.6%	5.6%
7-Nov-13	MONEY	8.65%	8.71%	8.85%	9.10%	9.23%	9.30%	9.46%	9.55%	9.69%
	SIMY	7.6%	6.4%	4.0%	3.5%	3.5%	3.9%	4.3%	4.5%	5.5%
8-Nov-13	MONEY	8.66%	8.74%	8.88%	9.10%	9.23%	9.30%	9.46%	9.55%	9.69%
	SIMY	8.5%	6.1%	4.0%	3.5%	3.5%	3.8%	4.1%	4.5%	5.5%

*Swap Implied Yield=SIMY



Analyst Certification:

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