

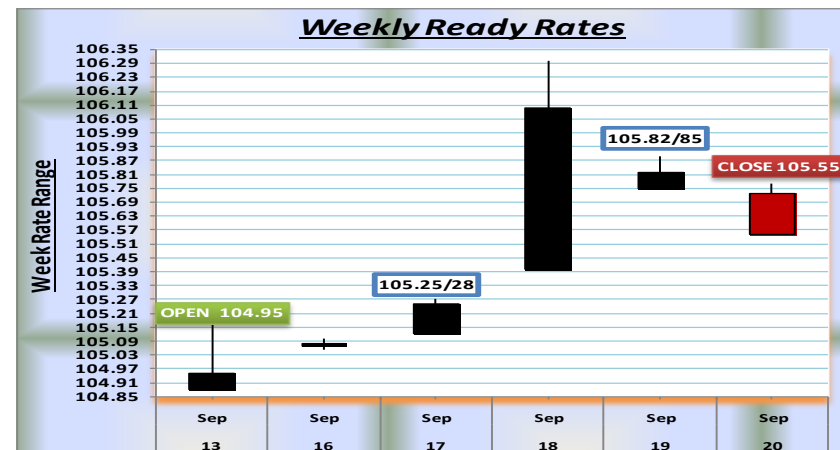
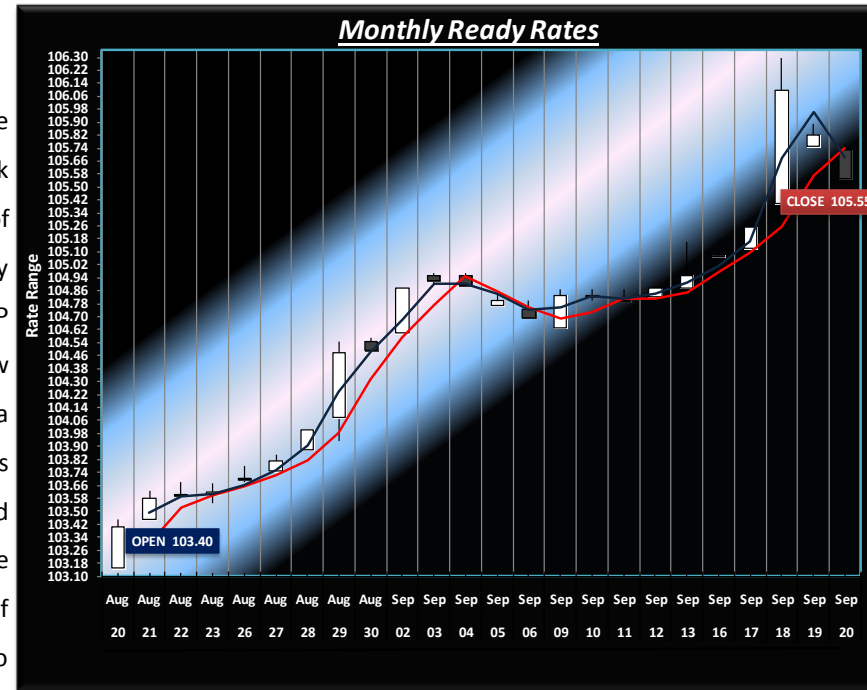


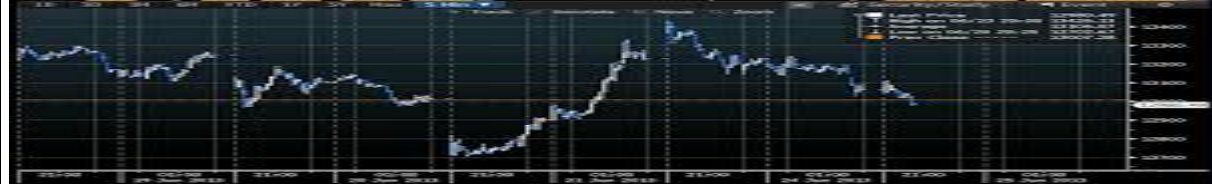
Market Recap:
Currency Analysis:

After receiving a continuous heavy battering against the dollar, rupee value finally showed some stabilized appearance to some extent. Dollar shed strength against the rupee in the interbank market at the end of last week Friday, where it ended **105.55** after touched to its all-time high of **106.30** against the PKR in the inter-bank market. The recovery in the rupee supported by country forex reserves stood at **\$ 10.37bn** at the end of 12 Sep, 2013. In a Statement SBP Governor assured that currency would soon be stabilized with improvement in foreign inflow will ultimately released some pressure on the rupee. The currency swap agreements with China and Turkey will have positive impact on the local currency shortly but the balance of payments position for the fiscal year (FY) 2013-14 will remain under pressure due to crude oil, import and external debt repayments including payments to the International Monetary Fund (IMF). The current economic situation of Pakistan requires a proper direction for a healthy balance of payments situation. With the limited availability of indigenous energy the country is forced to import petroleum products in order to keep the power turbines running therefore exerting further burden on the trade deficit, which in turn has been increasing the current account deficit. 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 by the day.

Technical Snapshot:

Technically the greenback ended the week higher at a level of **(105.55)**. The weekly candlestick shows a mixed belt hold formation, suggesting that the bear dominated the week. The tweezer top formation suggesting that high of last week **(106)** indicates a strong support at these levels and a strong rise confirms the same.





Swap Market Analysis:

After testing an all time high of 106.30 last week backed by the sharp downward drift in the greenback. Rupee appreciated was mostly due to country forex reserves stood at \$ 10.37bn at the end of last Friday (20, Sep 2013). According to SBP Governor foreign inflow expected which pull-out the consistent pressure on the rupee in the coming days. Governor said the local currency was still performing better than five other countries whose currencies have registered double-digit depreciation. "The Pakistani rupee was devalued only 5% while that of India, Brazil and three other countries by 10%. Looking at the big picture the IMF report pointed out that Pakistan had agreed to gradually reduce the SBP's short-term currency swap and forward foreign exchange positions to more sustainable levels. If the SBP starts returning dollars borrowed from commercial banks, it will have to mop up more dollars from the money market to avert any adverse impact, according to sources. Buying dollars from the market is part of the IMF strategy to build reserves. Initially swap market witnessed a chop down in shorter tenor featuring cocktail of factors working against the country worsening economic condition. At the end of the week rising trend was continue on last Friday. If such a rising trend 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, technically swap market witnessed a bumpy ride in all tenor amid a slight initial recovery could be seen in the rupee on the back of consistent forex reserves position in the country but we can see pressure continue due to unsustainable fiscal and balance of payments positions.

Date		1-Week	2-Week	1-Month	2-Month	3-Month	4-Month	5-Month	6-Month	12-Month
13-Sep-13	MONEY	7.75%	7.90%	8.14%	8.44%	8.70%	8.80%	9.00%	9.00%	9.06%
	SIMY	5.0%	4.9%	4.5%	5.6%	5.9%	5.9%	6.2%	6.3%	6.7%
16-Sep-13	MONEY	7.75%	7.90%	8.14%	8.44%	8.70%	8.80%	9.00%	9.00%	9.06%
	SIMY	6.2%	5.4%	5.2%	6.0%	6.1%	6.2%	6.3%	6.5%	6.8%
17-Sep-13	MONEY	8.54%	8.69%	8.75%	8.85%	8.95%	9.11%	9.15%	9.20%	9.26%
	SIMY	5.5%	5.1%	5.3%	6.2%	6.2%	6.2%	6.4%	6.6%	6.9%
18-Sep-13	MONEY	8.46%	8.69%	8.75%	8.85%	8.95%	9.11%	9.15%	9.20%	9.26%
	SIMY	5.5%	5.3%	5.3%	5.9%	6.1%	6.1%	6.4%	6.4%	6.8%
19-Sep-13	MONEY	8.78%	8.96%	8.99%	9.06%	9.11%	9.16%	9.25%	9.30%	9.45%
	SIMY	6.2%	5.7%	5.7%	6.3%	6.4%	6.3%	6.5%	6.6%	6.9%
20-Sep-13	MONEY	9.05%	9.09%	9.09%	9.18%	9.19%	9.23%	9.30%	9.35%	9.45%
	SIMY	5.9%	5.4%	5.8%	6.3%	6.3%	6.3%	6.5%	6.7%	6.9%

*Swap Implied Yield=SIMY

