

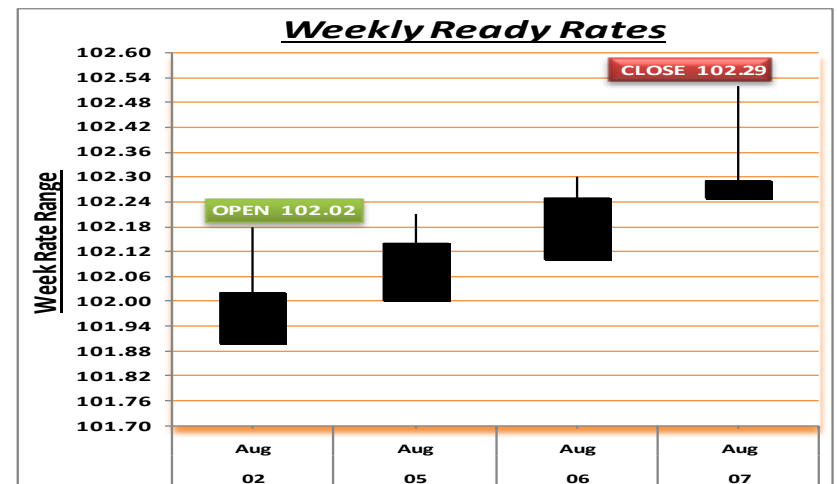
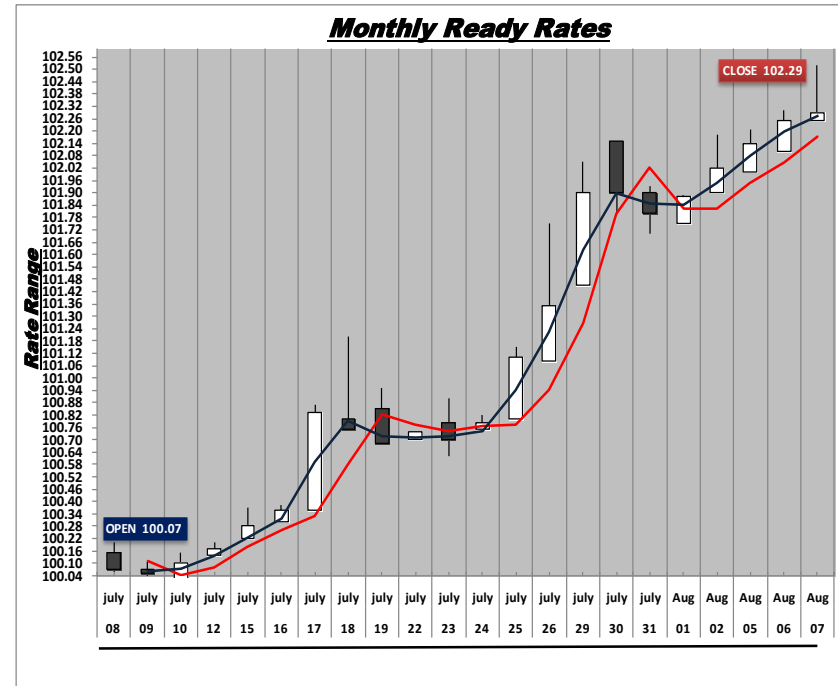
Market Recap:

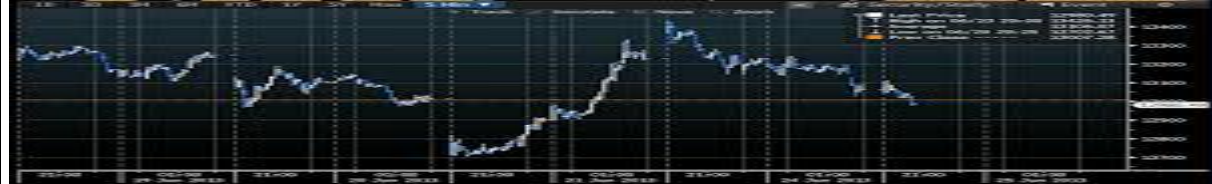
Currency Analysis:

The rupee could not come out of the weak spells; persisted devaluation of PKR against the US dollar was continued during the shortened week-ended on August 7, due to Eid-ul-Fitr holidays. At the end of last week a bullish trend was witnessed in USD buying as market players actively participated, whereas market continuously felt the pressure of uncertainty. On the open market, the rupee dropped sharply in relation to the dollar for buying and selling at Rs 102.80 and Rs 103.00. where Govt borrowing touches record high, an amount of Rs700 billion has been printed by the last PPP and caretaker governments so far to finance fiscal deficit. The Consumer Price Index (CPI) inflation has soared to 8.3 percent in July 2013 as against 5.9 percent in June 2013, reflecting an increase of 2.4 percent; this level is the highest one in the last 10 months. Weak foreign financial inflows, increasing government expenditures, fall in the revenue collection are the major factors responsible for the rupee was under immense pressure on account of higher demand for dollar. At this point of time rupee adding further to the bearish tone of the currency. But with rupee becoming more and more valueless, the prices of imports are feared to further increase inflation.

Technical Snapshot:

The dollar ended another higher this week at a level of **(102.29)**. Earlier last week, it reached a high of **102.52** and then drifted lower during the latter part of the week. On the weekly chart, it continues to form higher lows and higher highs, suggesting that the strength still persists in the prevailing uptrend.





Swap Market Analysis:

Markets ended the week on a flattish note as rupee plunged to its all-time low of 102.52 in interbank market against the US dollar on worries of dwindling forex reserve of US 10.20 billion dollar. The drastic fall noticed in local stock markets as well due to tight liquidity conditions in the money market as investors pulling out there investment in the local Pakistan markets. The Pakistani rupee is no different from the last week; 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. Continuing uncertainty and speculations about existing economic situation and the volatile law and order situation have pushed Pak rupee to record low. Depreciation of the rupee at its current pace won't push up exports, rather will certainly inflate import bill and inflation that, over the years, became closely linked to the exchange rate because of Pakistan's ever higher reliance on imports, particularly of energy inputs. But with rupee becoming more and more valueless, the prices of imports are feared to further increase inflation.

Technical Snapshot:

Last week, swap market witnessed a persisted rise in all tenor except a gentle chop down on (5 Aug 2013) in all tenor which was regained later amid fresh USD demand in the market. In coming weeks, we might see the battered 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.

