

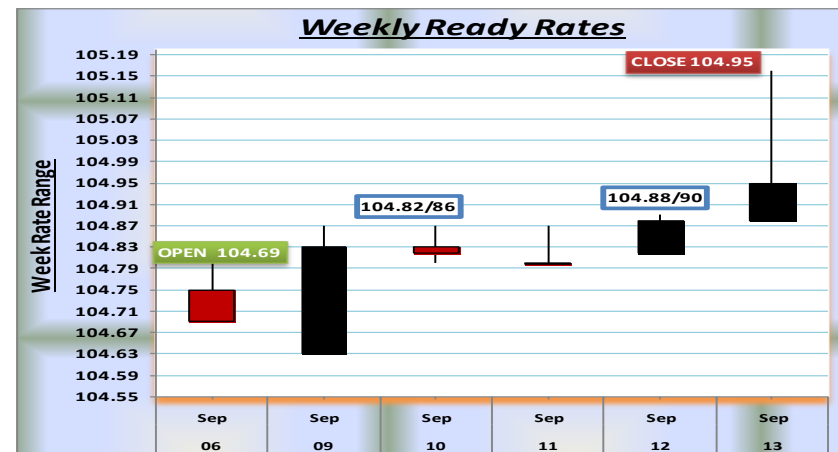
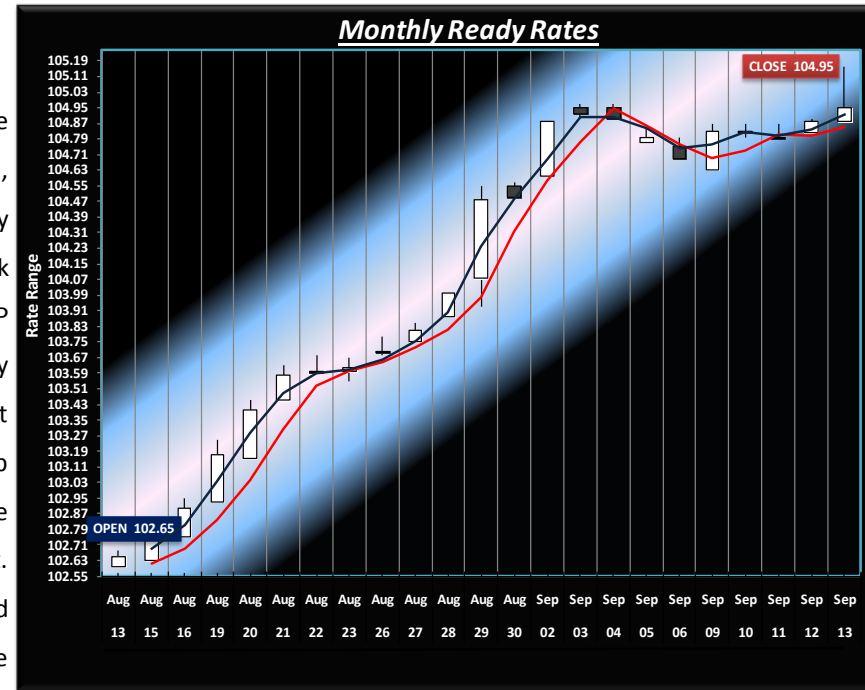


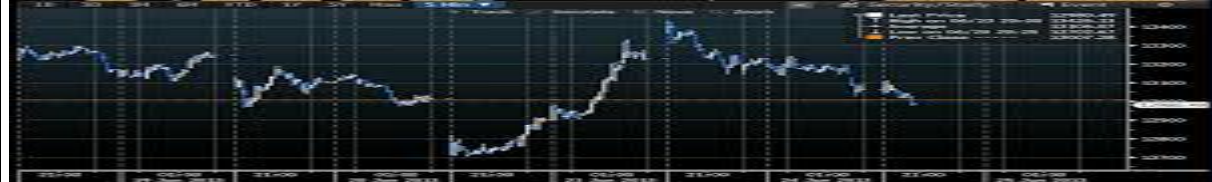
Market Recap:
Currency Analysis:

Further weakened had been seen in PKR. The USD is in the midst of a powerful rally, one we expect to continue in coming days. At the end of this week a bullish trend was witnessed in USD, where market continuously felt the pressure of uncertainty where PKR on last week Friday (13 September, 2013) plunged to its all-time low of **105.16** against the USD in the inter-bank market. Last Friday SBP announced the much awaited monetary policy for next two month, SBP increased by 50bps to **9.5%** against the divergent street estimates. SBP cited rising inflationary pressures, unabated government borrowing and steep depreciation of Pak rupee against greenback as major concern area. When asked what measures the SBP had taken to curb sharp devaluation of the rupee against the dollar, SBP Governor said several factors were behind the declining trend, including low reserves, balance of payment problem and current account deficit. Low reserves did not allow the SBP to intervene in the market. Governor SBP said the likelihood of receiving higher financial flows had increased after the IMF approved a new loan programme for Pakistan this month. It will ease pressure on the foreign exchange market. He said the stress had gradually increased with every passing month because of shrinking net capital and financial flows and high loan repayments to the IMF. 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 **(104.95)**. The weekly candlestick shows a bearish belt hold formation, suggesting that the bear dominated the week. The tweezer top formation suggesting that high of this week **(104.95/99)** indicates a strong support at these levels and a strong rise confirms the same.





Swap Market Analysis:

Markets ended the week on a flattish note as rupee plunged to its all-time low of 105.16 in interbank market against the US dollar on worries increased the policy interest rate by 50 basis points to 9.5% on Friday and insisted that the move would not have any negative effect on growth. According to Governor SBP a direct effect on CPI inflation, there was a high likelihood of considerable indirect effects as well. "Similarly, an increase in general sales tax together with the removal of certain exemptions can put further pressure on inflation in the coming months. When asked what measures the SBP had taken to curb sharp devaluation of the rupee against the dollar, he (Governor SBP) replied with swift settlement of the outstanding stock of energy sector circular debt, reduction in electricity tariff-related subsidies and introduction of some taxation measures, the new government has shown intentions to address deeper issues afflicting the fiscal accounts. The market seems to be at a lose end, as the cost of doing business has risen by manifold. Along with the importers the exporters are also complaining about the raised cost of doing business. Depreciated rupee naturally means increased cost of raw materials and fuel prices.

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 approval of IMF for Extended Fund Facility (EFF) for Pakistan. In coming weeks, we might see the battered rupee (PKR) is expected to remain under-pressure against the USD a high inflationary pressure 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
6-Sep-13	MONEY	8.05%	8.34%	8.55%	8.68%	8.76%	8.88%	9.00%	9.00%	9.05%
	SIMY	4.4%	4.2%	4.8%	5.6%	5.8%	5.9%	6.1%	6.2%	6.7%
9-Sep-13	MONEY	8.05%	8.34%	8.55%	8.68%	8.76%	8.88%	9.00%	9.00%	9.05%
	SIMY	3.4%	3.8%	4.1%	5.3%	5.6%	5.9%	6.0%	6.2%	6.6%
10-Sep-13	MONEY	7.34%	7.96%	8.33%	8.55%	8.70%	8.80%	9.00%	9.00%	9.06%
	SIMY	3.7%	4.3%	3.8%	5.1%	5.5%	5.7%	5.9%	6.2%	6.6%
11-Sep-13	MONEY	8.35%	8.40%	8.19%	8.50%	8.70%	8.80%	9.00%	9.00%	9.06%
	SIMY	5.7%	5.4%	4.5%	5.4%	5.6%	5.7%	6.0%	6.2%	6.6%
12-Sep-13	MONEY	7.75%	8.00%	8.19%	8.50%	8.70%	8.80%	9.00%	9.00%	9.06%
	SIMY	4.0%	4.5%	4.3%	5.3%	5.5%	5.7%	5.9%	6.1%	6.6%
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%

*Swap Implied Yield=SIMY

