

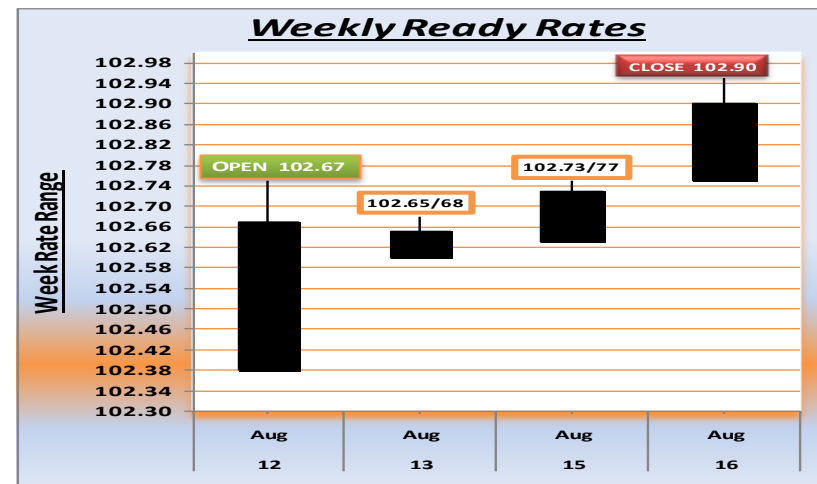
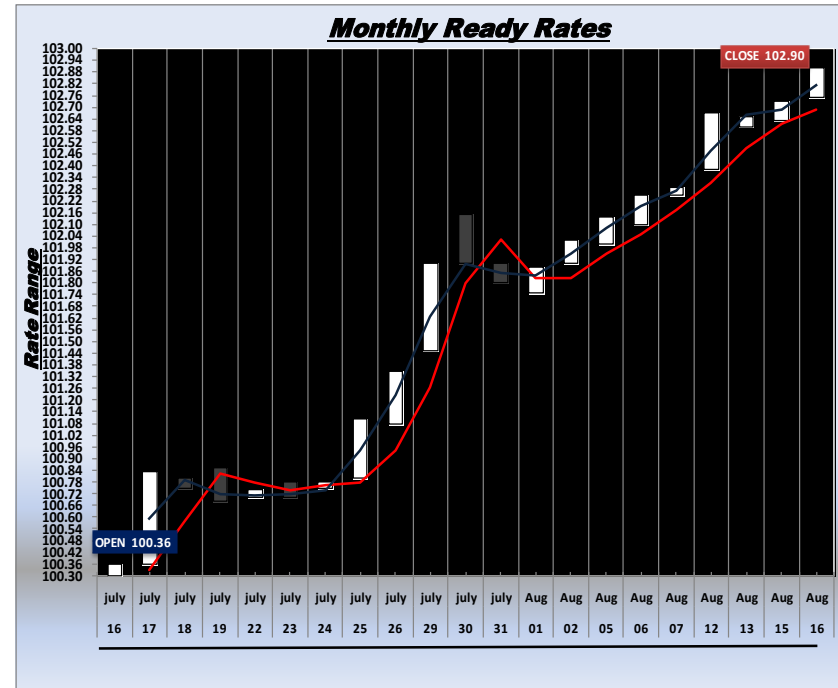
Market Recap:

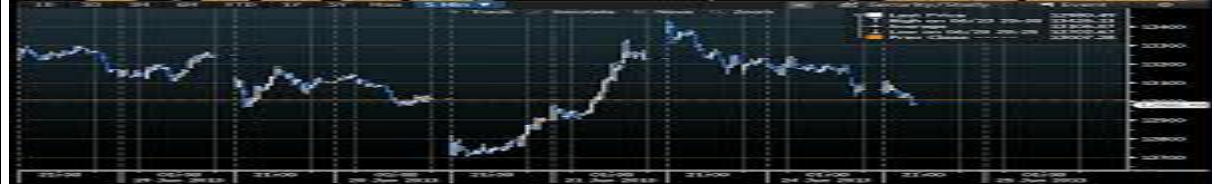
Currency Analysis:

There seems no respite in the falling value of the rupee as the dollar made another record-high level **102.90/95** 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. Seeing this persisted rise in dollar demand in the market the rupee to go further down within the next few weeks and the importers were requiring more dollars to pay for their orders besides foreigners were withdrawing their investments and taking the dollar outside the country. The balance of payments position for the fiscal year (FY) 2013-14 will remain under pressure due to external debt repayments including payments to the International Monetary Fund (IMF) under the Stand-by Arrangement (SBA) another tranche of \$145.4 million to the International Monetary Fund paid last Friday. This was the 18th tranche to repay an IMF loan taken in November 2008. On August 26 2013, Pakistan will pay back another \$258.5 million SDR or about \$393 million to the IMF. With these two big payments of about \$538 million, gross foreign currency reserves held by the State Bank of Pakistan fell below \$4.5 billion until some assistance comes from abroad. The ongoing depreciation in the local currency is expected to further exacerbate the debt of the country in local currency term as currently foreign debt stands at \$60.9 billion.

Technical Snapshot:

Technically, the outlook of the market is likely to remain strong and market may see 103 levels. The candlestick pattern clearly depicts a bullish marubozu formation, suggesting that the buyer clearly had an upper hand throughout 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:

After testing an all time high of 102.90/92 last week backed by the sharp rally in the greenback. August 2013 was a crucial month for the country's depleting foreign exchange reserves as cumulatively some five payments worth Special Drawing Rights (SDR) 458 million were due this month, out of which some SDR 103.7 million equal to \$155 million have been already paid during the first ten days of current month. These payments included GRA charges SDR 7.58 million and net SDR charges worth SDR 29,438 paid on August 1, 2013. Looking at other big expected payment of Crude oil inched higher for the week ended 16th August 2013, with gains in WTI crude in New York over 2% whereas Brent oil in London added higher weight to close more than 3% up. 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. The ongoing depreciation in the local currency is expected to further exacerbate the debt of the country in local currency term as currently foreign debt stands at \$60.9 billion.

Technical Snapshot:

Last week, swap market witnessed a sharp drift towards downward in all tenor premiums on (12 Aug 2013) 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.

