

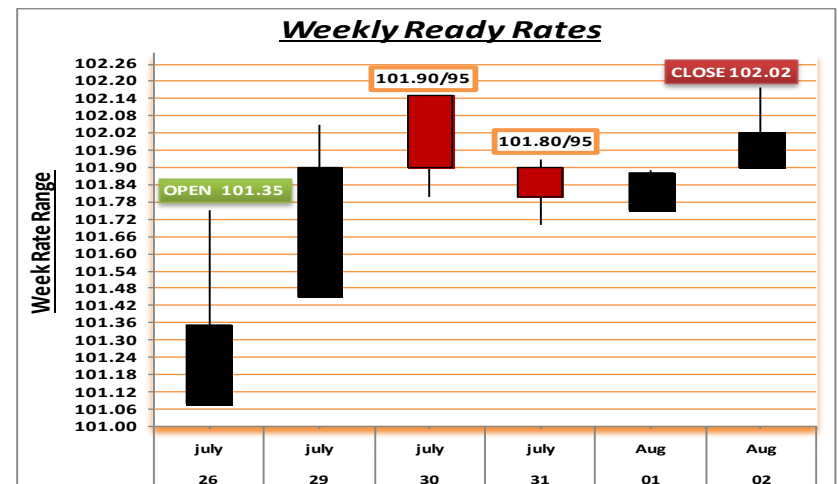
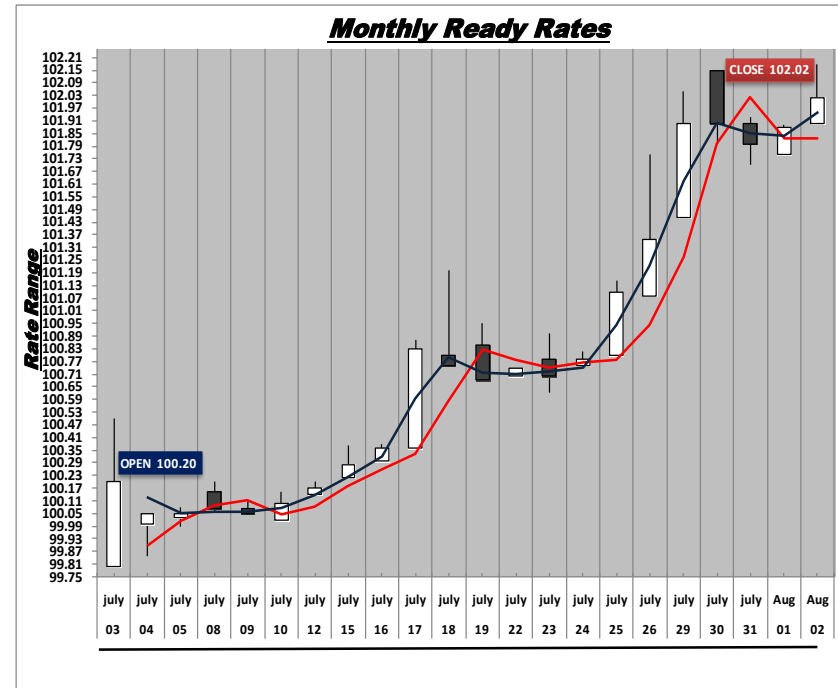
**Market Recap:**

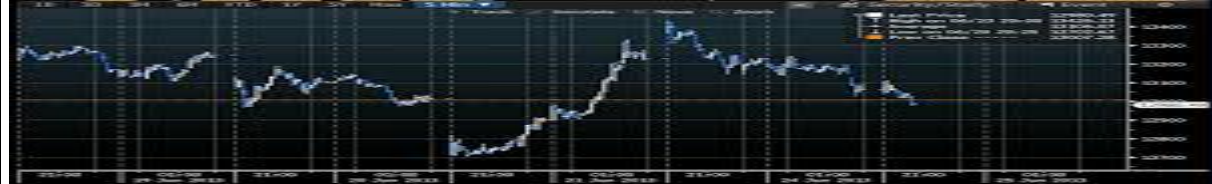
**Currency Analysis:**

The persisted devaluation of PKR against the US dollar was continued last week as well. At the end of this week a bullish trend was witnessed in USD buying as market players actively participated, whereas market continuously felt the pressure of uncertainty. The country's money supply growth has experienced a sharp expansion of 15.93% during July 30, 2012 to June 30, 2013, heightening the risk of inflation and a severe liquidity crunch in the coming months. 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. This means inflation is likely to push into double digits and the country's fiscal deficit will increase. 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 the end of the week rising trend was continue on last Friday as the rising demand to clear the oil payments. If such a trend of record fall of Pakistan's rupee goes on nonstop than the nation may face a severe liquidity crunch in the coming months.

**Technical Snapshot:**

The greenback ended the week another higher at a level of **(102.02)**. The weekly candlestick shows a bullish belt hold formation, suggesting that the bulls dominated the week right from the beginning. The weekly candlestick depicts a tweezer top formation suggesting that high of last week at **(102.18)** and doji candle **(101.90)** made indicated a strong support at these levels and we have seen a strong rise confirms between these levels.





### Swap Market Analysis:

It has been a bumpy ride for PKR against USD last week; it became clear that it is difficult for local currency to remain resistant to the cocktail of factors working against the country worsening economic condition. Markets ended the week on a flattish note as rupee plunged to its all-time low of 102.02/05 in interbank market against the US dollar on worries of dwindling forex reserve of US 10.22 billion dollar. Initially swap market witnessed a chop down in all tenor featuring the week was ban on gold imports narrowing of difference between the open and inter-bank market, which may prove short-lived because demand of dollar persisted, which were regain in later part of the week amid fresh USD demand in the market due to fall in forex reserves and rise in crude oil prices world-wide which raise the fuel bill and inflation and put further pressures on the rupee (PKR). Meanwhile, ADB (Asian Development Bank) has also agreed to provide \$500 million budgetary support to Pakistan to ease out Pakistan foreign exchange reserves position during repayment of the International Monetary Fund (IMF) loan before the formal sanction of \$5.3 billion IMF from its board in the first week of September.

### Technical Snapshot:

Last week, swap market witnessed a persisted rise in all tenor except a gentle chop down on (29 July 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.

Date		1-Week	2-Week	1-Month	2-Month	3-Month	4-Month	5-Month	6-Month	12-Month
26-Jul-13	MONEY	8.35%	8.55%	8.70%	8.90%	8.95%	8.95%	8.95%	8.98%	9.00%
	SIMY	6.9%	6.9%	6.6%	6.5%	6.8%	6.9%	7.0%	7.1%	7.4%
29-Jul-13	MONEY	8.35%	8.55%	8.70%	8.90%	8.95%	8.95%	8.95%	8.98%	9.00%
	SIMY	6.5%	6.9%	6.0%	6.3%	6.4%	6.6%	6.7%	6.9%	7.4%
30-Jul-13	MONEY	8.53%	8.65%	8.75%	8.80%	8.85%	8.85%	8.95%	8.98%	9.00%
	SIMY	7.2%	7.1%	6.4%	6.6%	6.6%	6.8%	6.9%	7.1%	7.5%
31-Jul-13	MONEY	8.53%	8.65%	8.75%	8.80%	8.85%	8.85%	8.95%	8.98%	9.00%
	SIMY	8.1%	7.1%	6.8%	6.8%	6.8%	7.0%	7.1%	7.1%	7.5%
1-Aug-13	MONEY	8.71%	8.69%	8.75%	8.80%	8.85%	8.85%	8.90%	8.90%	9.00%
	SIMY	8.4%	7.5%	6.9%	6.9%	7.0%	7.1%	7.3%	7.3%	7.7%
2-Aug-13	MONEY	8.70%	8.65%	8.75%	8.80%	8.85%	8.85%	8.90%	8.90%	9.00%
	SIMY	7.7%	7.1%	6.6%	6.8%	6.8%	7.0%	7.2%	7.2%	7.6%

\*Swap Implied Yield=SIMY

