

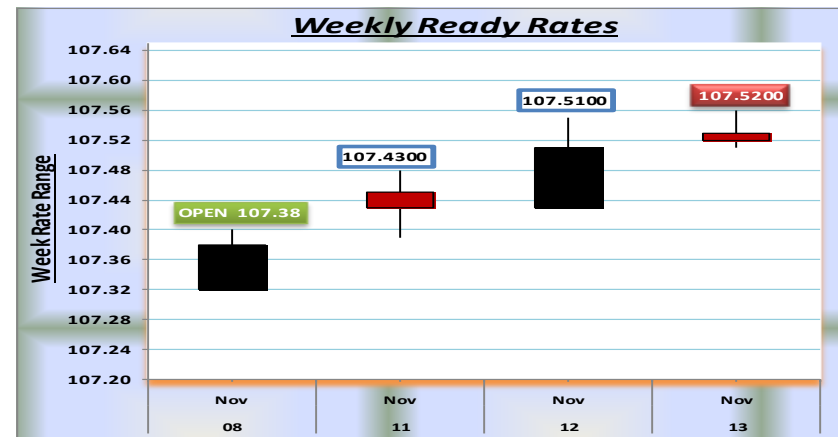
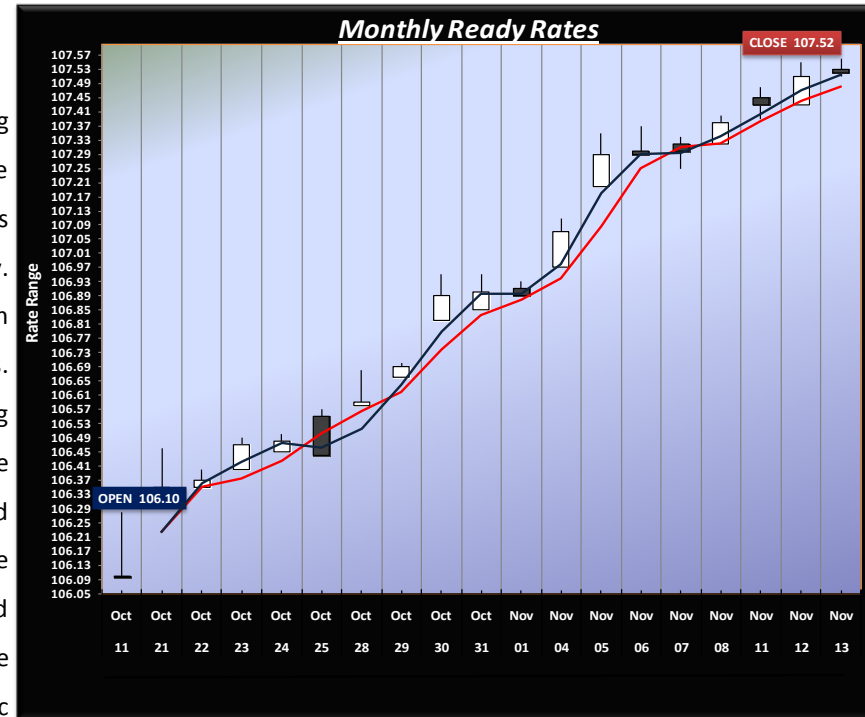


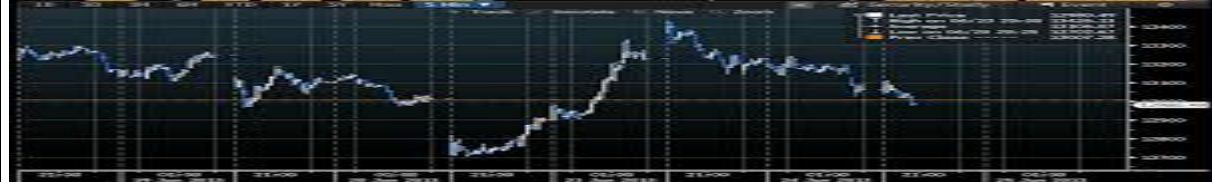
Market Recap:
Currency Analysis:

Further weakened had been seen in PKR against USD compare to shorten last week, strong demand for dollars forced the rupee to travel into downbeat horizon which gone towards the weak spells during the week ended **(107.52)** 13 Nov, 2013. In-line with ours and the markets expectation, the SBP raised the discount rate (DR) by **50bps** to 10% against 9.5% previously. Hikes in DR on the cards due to the recent increase in inflation, the central bank has decided on this monetary direction to encourage savings and investments, while discouraging borrowings. Another possible objective of increasing rates would be to try and control the deteriorating exchange rate which has been under immense pressure due to fragile external flows. We have been seeing the effects of the declining FX reserves on the local currency which has depreciated by over 6% during the first quarter of FY14. Due to unsteady financial inflows, widening trade deficit and substantial repayments to the IMF, the reserves are under immense pressure and recorded at the dangerously low level. But increased in DR would make an impact on the investment opportunity due to reluctant in borrowing from banks due to prevailing economic conditions and law and order. Lack of borrowing by private sector from banks indicates the severe problems in industrialization and investment process. With the increased power rates, inflation and interest rates, we would see some pressures translated over to the markets.

Technical Snapshot:

Technically the greenback ended the week higher at a level of **(107.52)**. The weekly candlestick shows a mixed belt hold formation, suggesting that the bull dominated the week. The weekly candlestick depicts a tweezer top formation suggesting that high of last week **(107.52)** and doji candle **(107.43)** indicates a strong support at these levels and a strong rise confirms the same.





Swap Market Analysis:

As the rupee continues to slide against the US dollar, it has been a lofty ride for PKR against USD last week; it has become clear that it's difficult for local currency to remain resistant to the cocktail of factors working against the country worsening economic condition. The MPS announced by the State Bank on the 13th of Nov'13, takes the discount rate up by another 50bps to reach 10% for the next two months. SBP estimate budget deficit at 6.3%, versus IMF target of 5.8%. In terms of good news, IMF cited LSM growth of 8.4% as an indication of pick-up in economic activity. If guidelines of IMF are to be followed strictly and government remains successful in solving energy crises along with improving security issues, we foresee better economic environment and increase in business confidence, Hence spur growth. Given the heavy amount of external debt payable, the current continuous currency depreciation will put heavy burden on the country's economy. Therefore, Pakistan adopted tightening policy of stabilizing the exchange rate, in order to protect the country against the increase in debt. 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 high ride in all tenor amid swap market witnessed a continuous gain in all tenors amid fresh USD demand in the market due to fall in forex reserves and crude oil payment which raise the fuel bill and inflation and put further pressures on the rupee (PKR). 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
8-Nov-13	MONEY	8.66%	8.74%	8.88%	9.10%	9.23%	9.30%	9.46%	9.55%	9.69%
	SIMY	8.5%	6.1%	4.0%	3.5%	3.5%	3.8%	4.1%	4.5%	5.5%
11-Nov-13	MONEY	8.66%	8.74%	8.88%	9.10%	9.23%	9.30%	9.46%	9.55%	9.69%
	SIMY	6.7%	5.8%	3.9%	3.3%	3.4%	3.8%	4.1%	5.8%	5.5%
12-Nov-13	MONEY	8.66%	8.65%	8.78%	9.10%	9.23%	9.30%	9.46%	9.55%	9.69%
	SIMY	5.6%	4.9%	3.7%	3.5%	3.6%	4.1%	4.3%	4.7%	5.6%
13-Nov-13	MONEY	8.66%	8.65%	8.65%	8.78%	9.09%	9.31%	9.46%	9.55%	9.69%
	SIMY	5.6%	5.0%	4.0%	3.7%	3.8%	4.2%	4.4%	4.8%	5.6%

*Swap Implied Yield=SIMY

