

FORTNIGHTLY MARKET MONITOR

Fixed Income Market

Market participation in the MTB auction considerably improved, as the market offered Rs.547.3 bn (including Rs.11.1 bn NCBs) against the target and maturity of Rs. 250.0 bn and Rs. 206.5 bn, respectively. The bid cover ratio improved to 2.14 from 1.13. Government accepted Rs.254.0 bn.

As compared to the previous auction, the cut-off rates on 3m, 6m, and 12m MTBs declined by 9 bps (to 6.3038%), 9 bps (to 6.3092%) and 8 bps (to 6.3098%), respectively. A similar trend was also seen in the secondary market; yield on 3, 6 and 12 month papers declined by 9bps, 6bps and 6 bps, respectively during the fortnight (*See Fig 3*).

Liquidity conditions in the market slightly improved during the fortnight, however, the market remained tight and banks approached SBP O/N Reverse Repo (Ceiling) Facility on various occasions in addition to OMO (injections) by SBP. The net daily average injections declined to Rs.1,259.5 bn compared to Rs.1,339.1 bn during the previous fortnight. The weighted average O/N repo and call rates also declined by around 30 bps and 26 bps over the fortnight, and stayed close to 5.92% and 5.89%, respectively.

Going forward, market liquidity is likely to remain short, mainly due to OMO maturities.

FX Market

The Rupee lost 16 paises (0.15%) against the USD in the interbank market during the fortnight to close at 104.9371. However, in the open market, the Rupee gained 45 paises (0.43%) against USD to close at 106.13.

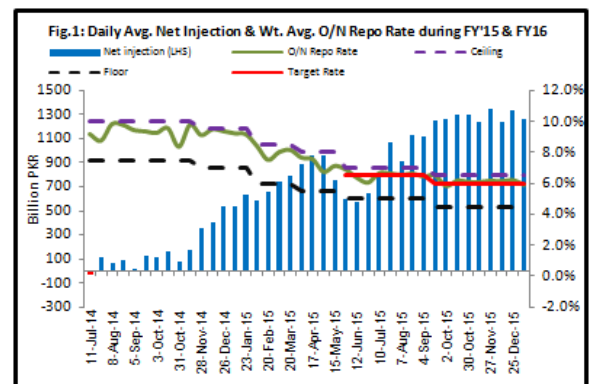
In the interbank market, the PKR appreciated by 1.38% (to 153.4443) and 0.26% (to 114.1401) against GBP and Euro, respectively. However, the Rupee depreciated by 2.39% to 0.8868 against the JPY. (*see Fig.2*).

During CY 2015, the PKR depreciated by around 4.07% (426 paises) and 5.28% (560 paises) against USD in the interbank and open market, respectively.

		Maturity	Target	Offered**	Accepted**
MTB (Face Value)	Q4-FY15	1,129	875	2,368	913
	Q1-FY16	951	1,325	1,509	1,381
	Q2-FY16	1,031	1,100	2,096	1,017
	Q3-FY16*	207	250	547	254
PIB	Q4-FY15	-	150	333	155
	Q1-FY16	163	200	804	218
	Q2-FY16	6	150	445	183
	Q3-FY16*	-	-	-	-
Sukuk	Q4-FY15	-	-	-	-
	Q1-FY16	-	-	-	-
	Q2-FY16	234	100	273	118
	Q3-FY16*	-	-	-	-

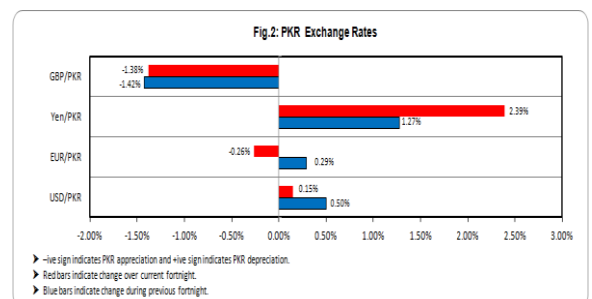
*Upto January 08, 2016

**: Including NCBs and Short Selling



		Min	Max	Average	Closing
Inter Bank	Q4-FY15	101.53	102.07	101.83	101.78
	Q1-FY16	101.70	104.51	102.91	104.51
	Q2-FY16	103.82	105.53	104.97	104.74
	Q3-FY16*	104.89	104.94	104.92	104.94
Open Market	Q4-FY15	102.35	103.83	102.85	102.80
	Q1-FY16	102.70	105.05	103.80	104.65
	Q2-FY16*	104.48	107.45	105.80	106.05
	Q3-FY16*	106.13	106.18	106.14	106.13

* Upto January 08, 2016



News Recap

- CPI inflation further increased to 3.2% YoY in December, 2015 compared to 2.7% in the previous month. The increase was driven by both, the food and non-food components, which increased by 2.7 YoY and 3.6% YoY, respectively.
- The per barrel price of Arabian Light crude oil continued its downward movement as it declined by US\$2.77 during the fortnight to close at 15-year low of US\$ 28.50.
- The government has reduced the high speed diesel prices by Rs.3.0/liter w.e.f. 1st January 2016, whereas the prices of petrol were kept unchanged.
- The National Electric Power Regulatory authority (NEPRA) approved tariff reduction by Rs.2.06 per unit for the month of November, 2015 under its monthly fuel adjustment mechanism.
- The country's three stock exchanges i.e. KSE, LSE and ISE were merged to form Pakistan Stock Exchange (PSX) w.e.f. January 11, 2015.
- According to the world Bank's "Global Economic Prospect 2016" report, Pakistan is expected to achieve around 5.5% growth in the near to medium term. The report identified the three 'tailwind' to benefit Pakistan i.e. rising investment from China under CPEC, the anticipated return of Iran to the international economic community; and persistently low international oil prices.

Data Sheet

Money Market

O/N Reverse Repo Facility (ceiling)	6.50%
O/N Repo Rate (floor)	4.50%
Policy Rate	6.00%

KIBOR	08-Jan-16	25-Dec-15
1 week	6.48%	6.48%
1 month	6.51%	6.51%
3 months	6.44%	6.50%
6 months	6.46%	6.52%

REPO	Current Avg.	Previous Avg.
O/N	5.92%	6.22%
1 week	6.39%	5.79%
1 month	6.29%	6.22%

Call	Current Avg.	Previous Avg.
O/N	5.89%	6.15%
1 week	6.11%	6.09%

Economic Calendar

Next MTB Auction:	20 th January 2016	(Target: Rs.350 bn)
Next PIB Auction:	27 th January 2016	(Target: Rs.100 bn)
Next MPC Meeting:	23 rd January 2016	(Tentative)

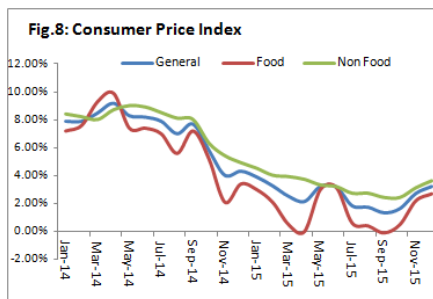
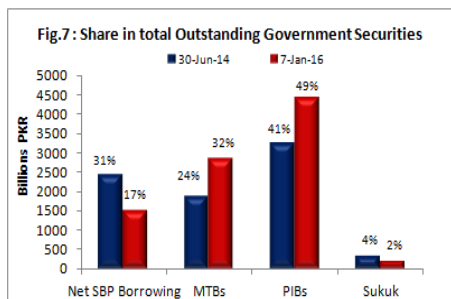
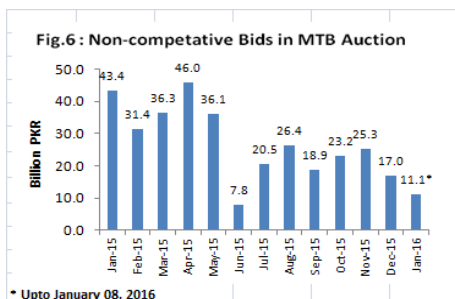
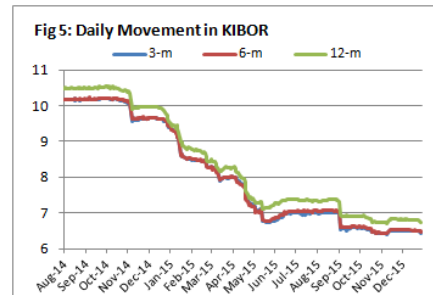
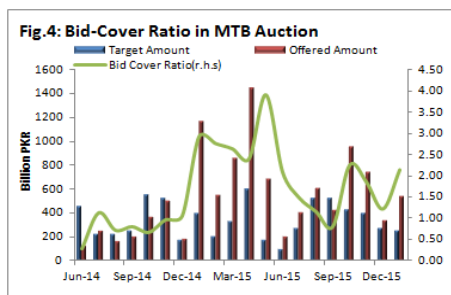
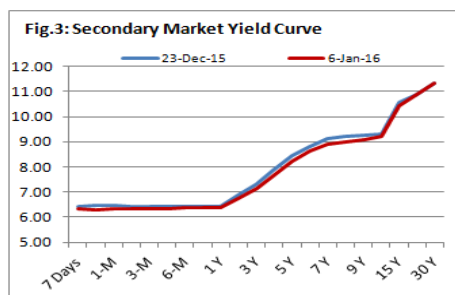
Other Indices

	08-Jan-16	25-Dec-15
PSX-100 Index	32,535	32,501
Oil (USD/barrel)*	28.50	31.27
Gold (NY close)	1,103.8	1,075.1

*Arabian Light Crude Oil

Pakistan's Credit Rating

St&P	Positive	B-
Moody	Stable	B3



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