Morning News 30-Dec-2021

MCB-ARIF HABIB
Savings and Investments Limited

- **Mini-budget: Coalition partner shows 'ominous' signs of rebellion | BR:** Federal Minister for Information Technology and Telecommunication Syed Aminul Haque on Wednesday announced to oppose new taxes on the telecom sector in the special cabinet meeting to be held on Thursday (today). Talking to media persons, the minister said that the thinking of the IT industry is the same as that of the IT minister. "We want no tax on the IT industry in the mini-budget," said Haque, adding that if a new tax is imposed, he will stand with the people of the industry and will oppose it. Responding to a question, the minister said that the matter regarding withholding tax would be known in the special cabinet meeting.

- **T-bills yields see modest fall as govt raises PKR1.26tr | Dawn:** Contrary to the expectations of money market analysts, cut-off yields in the auction of treasury bills on Wednesday registered a less-than-anticipated decline in three- and six-month papers. The slight drop in the yields from the Dec 15 auction was in spite of the ample liquidity that the State Bank of Pakistan (SBP) injected into the money market through open market operations (OMOs) of unusually long tenors in the last two weeks. The SBP raised PKR1.26 trillion in the latest treasury bill auction against its target of PKR1.2tr. The cut-off yield on the three-month paper decreased 19 basis points to 10.59% while that on the six-month paper went down five basis points to 11.45%. The yield for the 12-month paper stayed unchanged from the Dec 15 auction at 11.51%.

- **Revised bill bars govt borrowing from SBP | Dawn:** The federal cabinet has approved a revised draft of the State Bank of Pakistan (SBP) Amendment Bill 2021, promising complete autonomy to the central bank and placing a complete restriction on the government's borrowing from the central bank. All told, 54 amendments, including 10 new sections, have been introduced to the SBP Act 1956. The SBP Amendment Bill 2021, first approved in a cabinet meeting on March 3, was revised earlier this month following observations from the law division, Prime Minister Secretariat and main opposition parties. The revised bill was approved in the cabinet meeting on Tuesday to be introduced in the National Assembly.

- **Islamic banking institutions: 'Shariah- compliant' liquidity facilities launched | BR:** The State Bank of Pakistan (SBP) on Wednesday for the first time has introduced Shariah Compliant Liquidity Facilities for Islamic Banking Institutions to enable them to offer better returns and rates to their customers on deposits and loans. SBP believed that introduction of aforesaid liquidity facilities will bring Islamic Banking industry at par with their conventional counterparts and enable them to effectively manage their short-term liquidity. In line with State Bank's strategic plan to improve Liquidity Management Framework for Islamic Banking Industry and enhance the effectiveness of monetary policy implementation, SBP has introduced Shariah Compliant Standing Ceiling Facility and Open Market Operations (injections) for Islamic Banking Institutions (IBIs).

- **Privatisation of several PSEs to be completed soon, says PC | Nation:** The Privatisation Commission (PC) on Wednesday noted that privatisation of several public sector entities (PSEs) is in advanced stages, which would be completed soon. A meeting was held under the joint chairmanship of Federal Minister for Privatisation Mohammedmian Soomro and Federal Minister for Energy Hammad Azhar to discuss matters related to the transaction of PSM and HEC. In the meeting, Federal Secretaries of Privatisation, Power Division, Petroleum Division, Industries and the representatives of the Ministry of Industries & Production, Finance, SSGCL, HEC and Financial Advisors were present.

- **Domestic gas exploration: PM for fast-track issuance of licences | BR:** Prime Minister Imran Khan had directed to fast track the issuance of licenses for domestic exploration as it is the cheapest source of natural gas, besides asking the concerned departments to remove hurdles in the process of installation of new LNG terminals and virtual pipeline projects by investors. The prime minister was chairing a high-level meeting to review gas situation in the country, on Wednesday, which was briefed about the demand, supply from the domestic reserves, shortfall and the import of LNG. The meeting was informed that the current constrained demand of 4,700 MMcfd gas in the country has increased to 6,000-6,500 MMcfd during the winter season.

- **FCA for November 2021: Nepra may allow proposed PKR4.33 hike in tariff | BR:** National Electric Power Regulatory Authority (Nepra) on Wednesday hinted at allowing the entire proposed increase of PKR 4.33 per unit in tariffs of Discos under monthly Fuel Cost Component (FCA) for November 2021, after CPPA-G requested that recovery of pending amount of PKR6bn with respect to Uch-II should not be withheld as financial constraints are already in sight due to higher prices of fuel in January 2022. CPPA-G will pass on financial burden of PKR35.7bn to consumers of Discos across the board except lifeline consumers. The consumers of KE will also have to bear the financial impact of November's FCA on the electricity purchased from the national grid.

- **Jul-Nov tractor production increases 15% YoY | BR:** The production of farm tractors in the country witnessed an increase of 15.07% to 22,034 units during the first five months of current financial year 2021-22, against the production of 19,147 units in same months of last year. During the months under review, the production of trucks also witnessed an increasing trend as it went up from 1,326 units as compared to 2,355 units, showing an increase of 77.60%, according to Pakistan Automobile Manufacturing Association (PAMA) revealed. Production of pickups rose by 68.66% to 11,734 units from 6,957 units during same months of last year whereas 5,854 units of LCVs, vans, and Jeeps were manufactured during July-November 2021 in the country as compared to 3,252 units during the same months last year, thus showing a growth of 80.01%.

- **Govt Completes Probe into Suspicious Bank Accounts and Transactions | ProPakistani:** The government has completed investigations into suspicious bank accounts and transactions in 10 cities across the country, sources told ProPakistani. A comprehensive report of the Financial Monitoring Unit (FMU), a financial intelligence unit established under the Anti-Money Laundering Act, 2010, on the suspicious transactions will be submitted to the Financial Action Task Force (FATF) which, the sources added, will be completed this month. According to details, there were 31,352 suspicious transactions from banks, 11,922 transactions from exchange companies, 3,121 transactions from microfinance banks, 1,725 transactions from Islamic banks, 507 transactions from insurance companies, 81 transactions from asset management companies, 51 transactions from stock exchange brokers, and 43 from microfinance institutions.

- **SSGC PKR 66bn Receivable May Be Settle as Federal Government Asked For NOC of Pakistan Steel Mill | AUGAF:** A meeting was held under the joint chairmanship of Federal Minister for Privatisation Mohammed Mian Soomro and Federal Minister for Energy Hammad Azhar to discuss matters related to the transaction of PSM and HEC. It was briefed that the transaction of Pakistan Steel Mills is at advanced stage along with the status of corporate actions to be completed prior to the revival of PSMC. The major focus was on the availability of utility connections to the newly formed subsidiary of PSMC, its liabilities towards Sui Southern Company and issuance of NOC from Sui Southern Gas Company Limited, which is mandatory for seeking approval for scheme of arrangement (SOA) from SECP. This provides an opportunity for Sui Southern Gas Company to recover its defaulted receivables of worth PKR66bn from Pakistan Steel Mills. However, in current scenario of tight fiscal space chances of recovery of these receivables from Government of Pakistan seems difficult.

- **Country can face fifth wave of Covid-19 in February | BR:** Following emergence of 78 cases of the Covid-19 Omicron variant in the country since December 8, 2021, the health authorities have warned that Pakistan could face fifth wave of the coronavirus in February 2022. The senior officials of the Federal Ministry for National Health Services and Regulations, while briefing the Senate Standing Committee on National Health Services, Regulations and Coordination held under the Chairmanship of Senator Dr Muhammad Humayun Mohmand, here on Wednesday, said that the country can face the fifth wave of the coronavirus in mid-February 2022.

Market Indices

	29-Dec-21	28-Dec-21	30-Jun-21
KSE 100	44,260	44,044	47,356
KSE 30	17,369	17,289	18,962
KMI 30	71,182	70,762	76,622
KSE All Shares	30,358	30,166	32,480

Volume (mn Shares)

	29-Dec-21	FYTD (Average)
KSE 100	136.2	127.3
KSE 30	49.1	51.6
KMI 30	84.5	48.9
KSE All Shares	271.1	347.8

Commodity Rates

	29-Dec-21	Daily Change	FYTD Change
Crude Oil-Brent (USD/BBL)	79.2	0.4%	5.5%
Crude Oil-Arab Light (USD/BBL)	76.1	0.0%	5.3%
Coal (USD/Tonne)	125.1	-9.2%	21.1%
Copper(USD/Lbs)	4.4	-0.5%	2.5%
Cotton (USD/Lbs)	110.0	2.7%	35.1%
CRC Steel (USD/Tonne)	900.0	0.0%	-24.1%

Currency (Interbank)

	29-Dec-21	Daily Change	FYTD Change
US Dollar	178.2	-0.1%	13.1%
UK Pound	240.3	0.3%	10.3%
Euro	202.2	0.3%	8.3%
UAE Dirham	48.8	0.0%	13.2%
Chinese Yuan	28.0	-0.1%	14.7%

Fund Flows (USD mn)

	29-Dec-21	FYTD
FOREIGN INDIVIDUAL	0.00	4.23
FOREIGN CORPORATES	0.86	-310.26
OVERSEAS PAKISTANI	0.25	51.85
FIPI NET	**1.11**	**-254.18**

Economic Data (USD mn)

	FY22E	FY21	FY20
GDP Growth	4.8%	3.9%	-0.5%
	Nov-21	**Oct-21**	
Exports	2,884	2,464	
Imports	7,847	6,372	
Remittances	2,352	2,518	
Foreign Exchange Reserves	22,499	23,829	

Money Market Data

	29-Dec-21	28-Dec-21	30-Jun-21
SBP Policy Rate	9.75	9.75	7.00
CPI Inflation	11.5%	9.2%	9.7%
3 Month T-Bill	10.25	10.22	7.28
6 Month T-Bill	11.05	10.92	7.53
12 Month T-Bill	11.34	11.31	7.81
3 Year Government Bond	11.40	11.40	8.99
5 Year Government Bond	11.44	11.44	9.49
10 Year Government Bond	11.60	11.60	9.94
3 Month KIBOR	10.42	10.37	7.45
6 Month KIBOR	11.14	11.05	7.69

Data Sources : Reuters, PSX, NCCPL, PBS, SBP