Morning News 26-May-2022

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- **Stalled IMF programme: Govt fails to successfully persuade IMF | BR:** The talks between Pakistan and the International Monetary Fund (IMF) for the 7th review under the USD6bn Extended Fund Facility (EFF) programme remained inconclusive, as the Fund pointed out 'deviations' on fiscal sides from the policies agreed in the last review. Resultantly, no staff level agreement was reached on Wednesday while the revival of USD6bn EFF delayed. The Fund emphasized the urgency of concrete policy actions, including in the context of removing fuel and energy subsidies and the fiscal year 2023 budget, to achieve programme objectives. The IMF statement indicates that the government would be taking prior actions in the federal budget for fiscal year 2022-23. The revival of stalled programme can be expected by end of July/August 2022.

- **PIBs yields rise on policy rate hike | The News:** Pakistan Investment Bonds (PIBs) yields rose on Wednesday, in line with market expectations, in the first auction since the central bank increased its key discount rate to 13.75%, dealers said. The yield on three-year PIBs increased by 70 basis points (bps) to 14%, the SBP's PIBs auction result showed. The yield on five-year paper gained 24 bps to 13.19%. The bids were rejected for 10 and 15 years papers. The bids were not received for 20-, and 30-year papers. The government raised PKR89.4bn through the sale of PIBs versus the target of PKR100bn. "I think yields increased as the policy rate went up in the last monetary policy. The policy rate has increased by 150 bps from last auction.

- **THE RUPEE: PKR slide continues, hits fresh low | BR:** The rupee extended its fall for the 15th consecutive session against the US dollar on Wednesday, as escalating political tension and delay in resumption of the International Monetary Fund (IMF) programme took a toll on market sentiment. As per the State Bank of Pakistan (SBP), the currency closed at 201.92, the lowest in history, after a day-on-day depreciation of 51 paisas or 0.25%. During intra-day trading, the rupee dropped to as low as 202.21 before recovering marginally by close. On Tuesday, the rupee had finished at 201.41. Cumulatively, the Pakistani currency has shed over 8% in the previous 15 sessions.

- **Govt fixes urea prices at PKR1,768 per bag | Mettisglobal :** The government on Tuesday has fixed the retail price of urea at PKR1,768 per 50-kilogram bag from the existing price of PKR1,900-2,000 per bag. As per the latest notification under S.R.O No.607(I), 2022 by the Ministry of Industries & Production, provinces, and federal agencies are allowed to add an allowance to the notified prices for extra transportation costs in remote or distant areas. The said SRO will remain effective till July 07, 2022, unless rescinded or modified earlier. However, concerned producers, dealers, or importers are given an opportunity to offer their view and justification along with the submission of relevant documents, data, and information by May 27, 2022, on the recent increase in prices by fertilizer manufacturers. Fauji Fertilizer (FFC), Agritech, and Fatima Fertilizer (FATIMA) increased Urea prices by PKR165/bag whereas Engro Fertilizer (EFERT) raised prices by PKR249/bag in March 2022 on the back of rising inflationary impact.

- **Global banks stop trade credit for oil imports by Pakistani firms | The News:** Foreign banks have stopped offering trade credit for oil imports to Pakistani refineries, and some suppliers are seeking payment upfront to avoid potential problems resulting from political standoff in the country, industry sources said on Wednesday. They said politically tense Pakistan is likely to face fuel shortages in days to come as international banks have refused to confirm letter of credits (LCs) for oil import orders citing "high country risk" alert. For the import of crude oil from the global market, LCs are opened by the local banks. However, international banks confirm the LCs of local partners' to provide guarantee to the exporter. Under the guarantee if a Pakistani bank defaults on a payment to an exporter, its international counterpart pays the amount.

- **Lowest bid received for wheat | Dawn:** The lowest price offered in a tender being held by Pakistan to purchase 500,000 tonnes of wheat was believed to be USD515.49 a tonne, cost and freight (c&f) included, traders said on Wednesday. The Trading Corporation of Pakistan (TCP) is still considering the offers and no purchase has been reported, traders said.

- **PSO circular debt closes up to PKR1 trillion mark | The News:** In the midst of rapidly bleeding economy and rising uncertainty on account of PTI Long March, the state owned Pakistan State Oil (PSO) has virtually landed in hot water with its circular debt skyrocketing to a whopping PKR939.84bn, just over PKR60bn short of PKR1 trillion mark. The receivables of PSO have jacked up to PKR591.67bn with payables at PKR348.17bn, data about key receivables and payable position of the entity as of May 22, 2022 showed on Wednesday. "This has triggered a further worsening liquidity crunch for the PSO making it unable to perform its functions smoothly," a senior PSO official told The News.

- **Pakistan, France agree to strengthen trade ties | Dawn:** Pakistan and France agreed on Wednesday to strengthen and diversify bilateral trade and economic ties in the coming years. The understanding was reached during the meeting of Pakistan Commerce Minister Naveed Qamar with France's Minister for Foreign Trade and Attractiveness, Franck Riester. Pakistan Charge d'Affaires Amjad Aziz Qazi was also present during the meeting. In the wake of the cartoon incident in France, Pakistan has yet to post its regular ambassador to the European country. The proscribed Tehreek-i-Labbaik Pakistan (TLP) took to the streets and blocked many parts of the country to pressure the Pakistan Tehreek-i-Insaf government to expel the French ambassador from Pakistan.

- **'Sindh open for investment' | Dawn:** Sindh Chief Minister Syed Murad Ali Shah on Wednesday said the potential projects for investment in the province included a wide variety of sectors including water and the environment, education and technology, industrial zones, eco-tourism, urban ecosystems and food security, with an estimated cost of USD6bn. Speaking at the Sindh Investment Conference (SIC) in Davos, where he was the chief guest, Mr Shah highlighted the strides Sindh has made over the last few years in achieving socioeconomic development in sectors such as health and education as well as infrastructure and communications. Mr Shah emphasised the government's continuous efforts to develop the Thar Coal Project, which would be a mainstay of energy production not only for Sindh but for the whole country.

- **Power tussle comes to a head | BR:** Flanked by a very large number of his diehard supporters from across the country, mainly from the KPK, former prime minister Imran Khan was about to make a dramatic entry to Capital's D-Chowk after reaching Islamabad from KPK during the wee hours of Thursday morning. The PTI had earlier decided to hold the sit-in at H-9 but Khan decided to choose D-Chowk after the police crackdown on his workers. So powerful was the impact of the teargas shelling that it left a large number of protesters, especially women, unconscious, but they stood firm and refused to leave the protest site.

- **Army called in | BR:** The federal government on Thursday called in the military for the protection of Islamabad's 'Red-Zone' after Pakistan Tehreek-e-Insaf (PTI) protesters started removing the shipping containers placed at D-Chowk in the wee hours of Thursday morning. A government notification said that "pursuant to the law and order situation in the Islamabad, the federal government in exercise of power conferred under article 245 of the constitution of Pakistan is pleased to authorize deployment of sufficient strength of troops of Pakistan army in Red-Zone in ICT in aid of civil power for protection of important government buildings including Supreme Court of Pakistan, Parliament House, Presidency, Prime Minister office/house, PTV headquarters, Pakistan Secret-ariat, and diplomatic Enclave, subject to law enforced in Pakistan, with immediate effect and until further orders".

- **Road blockades cost kitty PKR100bn-150bn per day: economists | BR:** The estimated loss to the national economy is around PKR100-150bn per day on account of country-wide road blockades and supply chain disruptions amid Pakistan Tehreek-e-Insaf (PTI)'s Azadi March. This was the consensus among economists and industrialists while talking to Business Recorder. The prevailing uncertainty in the country is also negatively impacting on investment, besides keeping daily wagers and labourers to go without gainful employment.

Market Indices	25-May-22	24-May-22	30-Jun-21
KSE 100	42,013	41,950	47,356
KSE 30	15,913	15,903	18,962
KMI 30	67,261	67,086	76,622
KSE All Shares	28,757	28,716	32,480

Volume (mn Shares)	25-May-22	FYTD (Average)
KSE 100	120.6	116.8
KSE 30	80.1	55.1
KMI 30	73.5	51.1
KSE All Shares	240.0	305.0

Commodity Rates	25-May-22	Daily Change	FYTD Change
Crude Oil-Brent (USD/BBL)	114.0	0.4%	51.8%
Crude Oil-Arab Light (USD/BBL)	112.7	-0.1%	55.9%
Coal (USD/Tonne)	329.2	-0.1%	186.6%
Copper (USD/Lbs)	4.3	-1.1%	-0.2%
Cotton (¢/Lbs)	140.2	2.7%	72.2%
Gold (USD/Ounce)	1,852.8	-0.7%	4.7%

Currency (Interbank)	25-May-22	Daily Change	FYTD Change
US Dollar	202.0	0.9%	28.2%
UK Pound	253.8	1.2%	16.5%
Euro	215.7	0.4%	15.5%
UAE Dirham	55.2	1.1%	28.2%
Chinese Yuan	30.2	0.4%	23.7%

Fund Flows (USD mn)	25-May-22	FYTD
FOREIGN INDIVIDUAL	0.00	4.27
FOREIGN CORPORATES	0.68	-355.81
OVERSEAS PAKISTANI	-0.54	65.27
FIPI NET	**0.14**	**-286.26**

Economic Data (USD mn)	FY22E	FY21	FY20
GDP Growth	4.6%	5.4%	-0.5%
	Apr-22	**Mar-22**	
Exports	2,897	2,777	
Imports	6,679	6,407	
Remittances	3,125	2,810	
Foreign Exchange Reserves	10,499	11,425	

Money Market Data	25-May-22	24-May-22	30-Jun-21
SBP Policy Rate	13.75	13.75	7.00
CPI Inflation	13.37	13.37	9.70
3 Month T-Bill	14.50	14.50	7.28
6 Month T-Bill	14.59	14.62	7.53
12 Month T-Bill	14.65	14.65	7.81
3 Year Government Bond	13.91	13.82	8.99
5 Year Government Bond	12.99	12.98	9.49
10 Year Government Bond	13.00	12.94	9.94
3 Month KIBOR	14.66	14.69	7.45
6 Month KIBOR	14.83	14.86	7.69

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