CMKA WEEKLY TREASURY MARKET OUTLOOK 04TH MAY 2026

MARKET OUTLOOK

The state of the **ME** war has become a chess game. Head scratching geopolitical *chess move* have begun after tough stand by both parties since Pakistan negotiated a ceasefire on 07Apr26 in an effort to end the war. The show in Islamabad favoured by concerned parties remains intact. Last week, Iranian official left Islamabad and **US** delegation cancelled their trip delaying talks that could have been made a quick pact to ease the pressure on global energy and financial markets. Talks to end **ME** war seem to appear stalled. But an *open-for-open* plan, under which both sides end their hostilities may offer a way out of negotiating stalemate since closure of the *Strait of Hurmuz* for an extended period may cause significant long-term damage to global energy market. Oil prices continued to climb and is steadily rising. Brent crude **>$107** has posted gains and remains more than **40%** higher than it was before the war in late **Feb26.** And **Fed** left interest rates at **3.75%** unchanged, but revealed a deepening division over the outlook caused by **ME** war.

Consequently, to address the risk to macroeconomic outlook stemming from ongoing lengthy conflict, **CB proactively raised *policy rate* by 100bps** to **11.50%** for the first time in almost **3Y,** delivering a larger-than-expected hike as future war escalating tension may upset energy supplies, higher cost and stoke renewed inflationary pressures. **Henceforth, Pakistan's course of steadily lower interest rates has been *disrupted* by the spillover effects of the ME war.**

FOREIGN EXCHANGE

One-by-one Asian **CCY** are faltering and Indian Rupee INR fell to a record low of **95.32** vs $, primarily due to higher oil prices & inflating import bills. It's seriously faced with worsening *volatility* of massive **FDI**s outflows & **INR** may soon cross **100**. In the interbank, **PKR** against **$** closed at **278.77** and in kerb **ECs** quoted a mid-rate of **279.40**. Forward premiums traded **1M@1.95**(1.24), **3M@4.43**(3.15) and **6M@7.47**(5.86). Forward rates moved up due to implied rate upward adjustment **after rise in policy rate by100bps** and inflow of Eurobonds' **$** lifted forex reserves. **CB's** forex reserves closed at **$21.269b** **($20.628b)↑$641m.**

MONEY MARKET

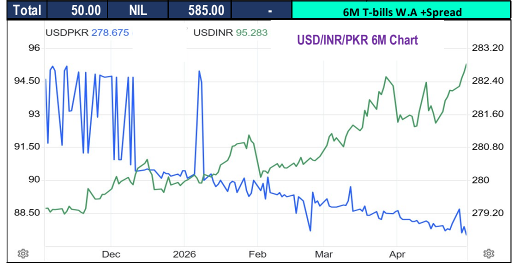
As investors pursued higher yields due to *policy rate* hike of **100bps, CB** rejected all bids for both conventional fixed rate bonds PIBs and *sharia compliant* sukuks at two separate auctions. But in subsequent T-bills acution against target of **650b** maturity 799b, **CB** picked up **1.37tr** at higher cutoffs of **78bps-1M, 40bps-3M, 83bps-6M & 21bps-1Y** See Chart and raised extra **574b** via T-bills to cover shortfall in two rejected auctions having total target of **650b.** And **PSX** was hit by selling pressure & **KSE-100** index lost **>7.6k** points or **>4.4%.** Aaccording to **PBS's** assessment, **CPI** for **Apr26** accelerated to **10.9%** from 7.30% and entered double-digit territory amid external headwinds implying sluggishness in economic momentum driven by pass-through effect of higher oil prices. Awaiting the **ME** war outcome, market may stay unstable in coming weeks.

The Middle East War Has Damaged Global Luxury Brands Plans

High-end brands such as Dior, Ferragamo, Louis Vuitton, Hermès etc. are looking to other regions as sales in Persian Gulf nations plummet. Nearly two months of war in the Middle East has weakened a crucial, multibillion-dollar market for brands selling items like crocodile-leather handbags and diamond bracelets. The world's luxury brands are trying to mitigate the fallout. Some leading clothing brand employees have started moving inventory out of the region and into less volatile markets like London and Paris. Executives said they hoped that expatriates who had left their homes in gulf countries, would keep spending on luxury goods in other countries, and that tourists planning trips to areas now affected by the war would make their purchases elsewhere. But as for the Persian Gulf nations themselves, where tourism has slowed to a trickle, there is little relief in sight, other than a short-term cease-fire between US and Iran. For brands, there is not much else to do but wait. That merchandise has to go somewhere else and brands are hoping is to get those important clients, if not there, then in some other part of the world. Before the war, annual sales were growing as much as 8% and the Middle East had emerged as a vital source of growth for many upscale brands as sales of luxury goods have slowed in Europe and Asia in recent years. These businesses doubled down on the Gulf region, which accounts for a significant share of global wealth, by opening more stores and putting more money into their e-commerce operations. In the days after the US led war in Iran began in February, brands closed many of their stores across Gulf nations. After ceasefire, some have been reopened, but sales have fallen precipitously. But tourism problems are also developing outside the Middle East, especially in places that Gulf residents often visit as they're now focused in estimating war losses. NYT.

Pakistan - Treasury Bills - DV / Floater Bond Auction - April 29, 2026

Tenor	Target	Maturity	Bids	Raised	Cutoff 15Apr26	Cutoff 29Apr26	Change bps
1M	150.00	146.80	1,655.00	699.00	10.6982%	11.4785%	78↑
3M	200.00	315.00	1,528.00	465.00	11.4380%	11.8398%	40↑
6M	150.00	92.00	448.00	172.00	11.1549%	11.9800%	83↑
12M	150.00	245.70	206.00	37.00	11.8900%	12.0999%	21↑
Total	650.00	799.50	3,837.00	1,373.00	Amount in Billions PKR		
10Y	50.00	NIL	585.00	NIL	79.43bps	Rejected	
Total	50.00	NIL	585.00	-	6M T-bills W.A +Spread		



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Contributors: Asad Rizvi, Asif Hussain and Khalid Jamil

Established 1994 – Website: www.cmkapak.com – Email: khalid@cmkapak.com – Telephone 3263 4572 & 3263-4515
Suite 908 & 909, 9th Floor, Tower 'B', Saima Trade Tower, I.I. Chundrigar Road, Karachi 74200, Pakistan

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Currency Market Associates - Pakistan Treasury Market Weekly Update

Date →	Three (3) Weeks Rate			Year End December Closing Rate in PKR/USD						
	04-May-26	27-Apr-26	20-Apr-26	Y-2025	Y-2024	Y-2023	Y-2022	Y-2021	Y-2020	Y-2019
Interbank PKR/US Dollar - Forex Rates in PKR										
USD - Ready/Spot	278.77	278.85	278.92	280.12	278.55	281.86	226.43	176.51	159.83	154.85
USD - Forward - 1M	280.72	280.09	280.20	281.12	279.49	284.24	226.81	177.48	160.88	156.20
USD - Forward - 3M	283.20	282.00	281.78	282.87	280.68	287.97	227.33	179.80	162.77	158.04
USD - Forward - 6M	286.24	284.71	284.36	285.50	283.29	292.35	228.80	183.68	165.30	160.88
Pakistan - Domestic Debt Market Indicators - (Treasury Bills and Pakistan Investment Bonds 'PIBs')										
T-Bills 3M - (Auction Cut-off)	11.8398%	11.4380%	11.4380%	10.4878%	11.9900%	21.2500%	16.9900%	10.5900%	7.1500%	13.4900%
T-Bills 6M - (Auction Cut-off)	11.9800%	11.1549%	11.1549%	10.4799%	11.9900%	21.3500%	16.8900%	11.4500%	7.2000%	13.2900%
T-Bills 12M - (Auction Cut-off)	12.0999%	11.8900%	11.8900%	10.4880%	12.2900%	21.3500%	16.8000%	11.5100%	7.2900%	13.1300%
PIB 03Y (MKT - YTMs)	12.5500%	12.0300%	11.9000%	10.5000%	12.3000%	17.1000%	15.6500%	11.4000%	8.2800%	11.6100%
PIB 05Y (MKT - YTMs)	12.8200%	12.1200%	12.0000%	10.8000%	12.3500%	16.1000%	14.6000%	11.4000%	9.0800%	10.9400%
PIB 10Y (MKT - YTMs)	13.1500%	12.5000%	12.4500%	11.4700%	12.1500%	14.9000%	13.7000%	11.6000%	9.9000%	11.0000%
PIB 10Y FRB (MKT Spread)	78bps	75bps	72bps	63bps	135bps	150 bps	70bps	68bps	65bps	34bps
Pakistan - Interbank Money Market Rates - KIBOR & REPO										
KIBOR - 1 Month	11.9000%	10.9900%	10.9700%	10.8400%	13.3500%	22.1000%	16.4000%	10.3900%	7.4500%	13.6800%
KIBOR - 3 Months	11.7600%	11.2700%	11.2900%	10.6300%	12.1400%	21.4600%	17.0000%	10.5400%	7.2900%	13.5500%
KIBOR - 6 Months	11.9600%	11.4300%	11.5000%	10.6500%	12.1600%	21.7100%	17.0400%	11.4600%	7.3500%	13.4900%
Repo - 1 Month	11.5500%	10.6000%	10.6000%	11.0000%	13.0000%	22.1000%	16.2500%	10.3000%	7.2000%	13.4500%
Repo - 3 Months	11.6000%	10.9500%	10.9000%	11.0000%	12.2500%	22.1000%	16.8000%	10.5000%	7.2000%	13.4500%
Repo - 6 Months	11.6500%	11.1000%	11.1000%	11.0000%	12.0000%	22.1000%	16.9500%	11.2500%	7.2000%	13.4500%
International Debt Market Indicators - Pakistan Eurobond/Sukuk - Market Prices (YTM Offer)										
Eurobond $0.750b - 6.975%-04/29	7.1700%	6.9800%	6.8780%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Eurobond $1.500b - 6.875%-12/27	6.1100%	6.0400%	5.8900%	6.1800%	10.5800%	18.1800%	30.9900%	6.4900%	5.8900%	6.0500%
Eurobond $1.400b - 7.375%-04/31	7.9600%	7.5900%	7.4600%	7.2400%	10.8700%	16.5700%	26.1900%	7.3200%	0.0000%	0.0000%
Eurobond $0.300b - 7.875%-03/36	8.2900%	8.0800%	8.0600%	8.0100%	11.2000%	16.5700%	26.1900%	7.3200%	0.0000%	0.0000%
Eurobond $0.800b - 8.875%-04/51	9.3300%	9.1400%	9.0600%	8.9400%	11.3800%	24.0900%	24.0900%	8.8000%	0.0000%	0.0000%
Sukuk $1.000b - 7.950%-01/29	6.8300%	6.4400%	6.3000%	6.8200%	10.0800%	15.2100%	22.0200%	3.1200%	0.0000%	0.0000%
WAPDA Green -$0.500b-7.50%-06/31	8.6100%	8.2900%	8.4400%	8.4200%	12.2500%	19.1000%	23.3300%	0.0000%	0.0000%	0.0000%
Other Major Indicators										
Rating - Global - Fitch & S&P	B- Stable	B- Stable	B- Stable	B- Stable	CCC+Stable	CCC-Negative	CCC+Stable	B-Stable	B-Stable	B-Negative
Risk Premium CDS 5Y (Mid)	469bps	448bps	441bps	441bps	1493bps	3306bps	9763bps	376bps	465bps	350bps
Forex Reserves - SBP	$21.269b	$20.628b	$20.524b	$21.022b	$16.37b	$12.85b	$11.70b	$24.27b	$20.31b	$18.08b
FCY Debt (Dec25) - SBP	$138.0b	$138.0b	$138.0b	$133.7b	$130.0b	$130.0b	$130.0b	$125.0b	$113.8b	$106.3b
LCY Debt (Feb26) - SBP	56.67 tr	56.67 tr	56.67 tr	53.42 tr	47.72 tr	31.10 tr	31.10 tr	28.23 tr	28.23 tr	21.50 tr
SCRA A/C - PSX Equity - SBP	$2.30b	$2.29b	$2.04b	$2.64b	$2.00b	$1.40b	$1.30b	$2.10b	$2.73b	$3.74b
SCRA A/C - LCY Debt - SBP	$279m	$292m	$298m	$322m	$858m	$3.60m	$5.20m	$656m	$75m	$1.45b
Policy Rate - SBP	11.50%	10.50%	10.50%	10.50%	13.00%	22.00%	16.00%	9.75%	7.00%	13.25%
Fed Rate (US$)	3.75%	3.75%	3.75%	3.75%	4.25%	5.50%	4.00%	0.25%	0.25%	1.75%
CPI (Monthly)	10.90%	7.30%	7.30%	6.15%	4.10%	29.70%	24.50%	12.30%	8.30%	12.67%
Banks' Deposits 03/26 - SBP	37.505 tr	37.505 tr	37.505 tr	35.380 tr	31.11 tr	26.66 tr	22.20 tr	19.91 tr	16.65 tr	14.36 tr
Banks' Loans 03/26 - SBP	14.555 tr	14.555 tr	14.555 tr	13.421 tr	14.87 tr	11.96 tr	11.06 tr	9.85 tr	8.18 tr	8.10 tr
PKR-M2 Cash in Cir. (03Apr26) - SBP	11,931b	11,931b	11,931b	10,967b	9,144b	8.548tr	7.795tr	7.20tr	6.30tr	5.44 tr
OMO-QE Injection - SBP	14.168 tr	13.876 tr	14.781 tr	13.122 tr	11.18 tr	10,119b	5,177b	1,674b	1,000b	975b
PSX - 100-Index	162,994	170,672	173,939	174,054	117,008	64,661	39,669	44,886	43,416	40,735
Wheat - (USd-MT)	$226.84	$231.55	$228.85	$222.16	$246.00	$245	$329	$274	$212	$224
Cotton - US Cotton #2 (CTZ5) - USd	$80.73	$78.92	$78.05	$64.34	$68.76	$81.22	$84.53	$113.00	$76.17	$69.05
Sugar London - USd - LSUc1	$444.80	$427.50	$418.30	$426.00	$509.00	$594.00	$554.00	$497.00	$408.00	$358.00
Soybean - USd/Bu	$1,183	$1,169	$1,166	$1,042	$981	$1,298	$1,524	$1,288	$1,341	$942
Coal - USd/T	$133.65	$129.10	$133.55	$106.65	$123.50	$131.55	$404.15	$169.60	$87.40	$67.50
Oil (WTI-OPEC)	$101.16	$95.93	$88.91	$57.89	$71.94	$72.92	$79.93	$76.38	$48.20	$61.20
Gold (Spot - USD/t.oz)	$4,598	$4,717	$4,788	$4,321	$2,635	$2,075	$1,840	$1,804	$1,891	$1,518
Silver (Spot - USD/t.oz)	$75.31	$79.73	$79.73	$74.62	$30.50	$23.75	$24.10	$21.93	$24.42	$17.18
Copper - USD/Lbs	$5.93	$6.04	$6.04	$4.09	$4.09	$3.69	$3.90	$4.28	$3.47	$2.74
Bitcoin -BTC	$80,074	$78,175	$74,298	$88,412	$101,138	$42,265	$17,561	$47,169	$28,841	$7,294
US$ Index - DXY	98.13	98.42	98.25	98.30	108.49	101.33	110.05	89.21	93.27	96.54
PKR/US$ - KERB - Ecs	279.40	279.55	279.25	282.10	282.00	284.00	236.50	180.00	161.00	155.10

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Suite 908 & 909, 9th Floor, Tower 'B', Saima Trade Tower, I.I. Chundrigar Road, Karachi 74200, Pakistan