CMKA WEEKLY TREASURY MARKET OUTLOOK 18TH MAY 2026

MARKET OUTLOOK

Oil prices rose **>$107** and stock markets remained nervous as investors reacted after the two sides once again failed to agree on a **ME** peace deal since fundamentals remained shaky. Fresh plan offered on a short-term accord that would pause hostility for another 30 days to end the *Strait of Hormuz* blockade was **TOTALLY UNACCEPTABLE** to **US**. And last week's **US** and China summit optics suggest that neither side achieved any notable progress for the end of **ME** war, which has done sufficient damage to **GCC's** energy assets & hurting global economies. With rising tensions & in the backdrop that *East is rising and the West is declining*, peace in West Asia is vital and markets are heading for more volatility.

After release of **$1.32b** tranche, **IMF** advised Pakistan to maintain strong macroeconomic policies to accelerate reform efforts, which are vital to manage shocks for sustainable medium-term growth. **IMF** continue to forecast **GDP** growth at **3.5%** CB's target 4.5% and inflation **8.4%** FY26/27. According to **CB, GDP** grew by **3.8%** 1H-FY26, up↑**1.9%** YoY. **IMF** has doubled **CA** deficit estimate FY25/26 to **0.9%** of GDP, up from **0.4%**. **IMF** appreciated **CB's** proactive stance to uphold *tight monetary policy*. On the other hand, Pakistan raised planned in 3 phases - $1b, **CNY1.75b** $250m Panda bonds' first tranche for **3Y** at **2.5%** against **ADB/AIIB** guarantee, subscription overscribed by **>5** times in China's onshore Renminbi RMB Interbank Market.

FOREIGN EXCHANGE

Services exports rose to **$7.3b** 9M-FY25/26 from **$6.27b** YoY and **IT** exports surged to **$3.39b** YoY, up **20%** target $4.5b FY26. After recent upward rates adjustment in **RDA** Naya Pakistan Certificate & allowing investment of foreign nationals, **Cos** & **FIs,** in **Apr26** highest monthly **RDA** inflows of **$321m** was recorded. Since launch Sept20, gross inflows RDA is around **$12.7b**, out of which **$2b** was repatriated and **$8.1b** was locally utilised total RDA outflow $10.2b and net **RDA** o/s is approx. **$2.5b**. **RDA** is also a source of **FCY** remittances growth, up↑**11%** YoY to **$3.5b** Apr26, total **$33.9b** 10MFY26. However due to ME war, remittances dipped to **$3.5b** ↓7.6% in **Apr26** Mar26-$3.8b. In the interbank, **PKR** against **$** closed at **278.61** and in kerb **ECs** quoted a mid-rate of **279.40**. Forward swap premiums traded **1M@1.91** (1.78), **3M@5.11** (4.53) and **6M@9.15** (8.02). **CB's** forex reserves for the week closed at **$21.336b** ($21.293b)↑$43m. **IMF $1.32b** EEF/RSF inflow will be reflected in next week's **CB** forex reserve position.

MONEY MARKET

Inflation may further accelerate in **May26** Apr26-CPI 10.9%, driven by both rising fuel & grocery costs. Global financial markets are struggling to find a way out of the conflict and its more challenging for Pakistan as uncertainty in next few weeks or months with oil pirces hovering at **>$100** may add to renewed inflation. Rising **LCY** debt & pressure on **MM** interest rates may alter govt securities **YTMs** higher, which was mirrored in two regular auctions of T-bills & Ijarah Sukuks. **CB** picked up **949b** against maturity of 984b in T-bills, cutoff moved up b/w **24-40bps** in **3/12M** & **10Y** Sukuks **150b** at ↑**100bps.**

As US Debt Hits A Worrying Milestone, Govt. Barely Notices

The debt is outgrowing the size of America's economy. The US's policies could accelerate the country's fiscal headaches, unless policymakers intervene. Those fiscal risks aren't yet fully realized in the total federal debt held by the public, which topped about $31.26 trillion in March 2026. As a result, the ratio of debt to GDP - a widely regarded metric for assessing the govt's fiscal health slightly exceeded 100% in the committee's calculations. That last occurred in the aftermath of World War II & for a short period in 2020, as the pandemic clobbered the economy and govt shelled out trillions in emergency relief. The reaction to US debt has appeared muted. The US govt last week may have reached an unfortunate milestone: But development barely seemed to register and few policymakers bothered to acknowledge the latest warning sign about the govt's poor fiscal health. The root of problem is well-documented and widely known. The poor marks in recent years have also spurred concerns that unchecked debt could lead investors to demand higher payments on govt bonds, making borrowing more expensive. For economists, the fear is that these conditions are inching the US toward a fiscal crisis, one in which its debt is so great that the country can't easily afford to pay the rising interest on it. But their warnings have long gone unheeded, calcifying the strains on the govt's balance sheet in ways that US's agenda is expected to exacerbate. US debt has soared in recent years because of a mismatch between federal spending and tax revenue, one complicated by a rapidly aging population, which has driven up costs. The major global credit ratings agencies continue to rate US as AA+, after being downgraded from AAA, last in May25, pointing to country's mounting and long-unresolved fiscal constraints as reason to doubt its financial outlook. Other countries including Japan >200%, Greece >147% & Italy >137%, report debt levels that outpace their annual output but those economies are not as large as that of US, nor do their currencies occupy the same, pivotal role as $ in the global financial order. The only way to stop debt rising is through some kind of a big shock to the system – NYT.

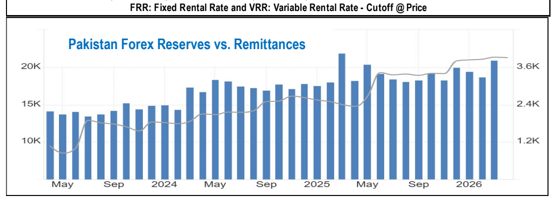
Pakistan - Treasury Bills - DV / Floater Bond Auction - May 13, 2026

Tenor	Target	Maturity	Bids	Raised	Cutoff 29Apr26	Cutoff 13May26	Change bps
1M	250.00	403.76	1,576.00	53.90	11.4785%	11.3700%	11↓
3M	250.00	400.26	585.00	757.00	11.8398%	12.0848%	24↑
6M	250.00	14.70	180.00	36.00	11.9800%	12.3499%	37↑
12M	250.00	165.70	212.00	102.50	12.0999%	12.4999%	40↑
Total	1,000.00	984.42	2,553.00	949.40	Amount in Billions PKR		
10Y	50.00	NIL	772.50	NIL	79.43bps	Rejected	
Total	50.00	NIL	772.50	-	6M T-bills W.A +Spread		

Pakistan - Ijarah Sukuk FRR & VRR Auction - May 13, 2026

Tenor	Target	Participation	Raised	Cutoff 29Apr26	Cutoff 13May26	Change bps
1Y Discounted Value	150.00	79.40	59.60	11.4999%	12.5012%	100.12↑
GIS 10Y VRR - Price	50.00	308.20	90.80	38.83 bps	42.79 bps	3.96↑
Total	200.00	387.60	150.40	Amount in Billions PKR		

FRR: Fixed Rental Rate and VRR: Variable Rental Rate - Cutoff @ Price



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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						
	18-May-26	11-May-26	04-May-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	278.61	278.70	278.77	280.12	278.55	281.86	226.43	176.51	159.83	154.85
USD - Forward - 1M	280.52	280.48	280.72	281.12	279.49	284.24	226.81	177.48	160.88	156.20
USD - Forward - 3M	283.72	283.23	283.20	282.87	280.68	287.97	227.33	179.80	162.77	158.04
USD - Forward - 6M	287.76	286.72	286.24	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)	12.0848%	11.8398%	11.8398%	10.4878%	11.9900%	21.2500%	16.9900%	10.5900%	7.1500%	13.4900%
T-Bills 6M - (Auction Cut-off)	12.3499%	11.9800%	11.9800%	10.4799%	11.9900%	21.3500%	16.8900%	11.4500%	7.2000%	13.2900%
T-Bills 12M - (Auction Cut-off)	12.4999%	12.0999%	12.0999%	10.4880%	12.2900%	21.3500%	16.8000%	11.5100%	7.2900%	13.1300%
PIB 03Y (MKT - YTMs)	12.7000%	12.3000%	12.5500%	10.5000%	12.3000%	17.1000%	15.6500%	11.4000%	8.2800%	11.6100%
PIB 05Y (MKT - YTMs)	12.8500%	12.5000%	12.8200%	10.8000%	12.3500%	16.1000%	14.6000%	11.4000%	9.0800%	10.9400%
PIB 10Y (MKT - YTMs)	13.1000%	12.8500%	13.1500%	11.4700%	12.1500%	14.9000%	13.7000%	11.6000%	9.9000%	11.0000%
PIB 10Y FRB (MKT Spread)	75bps	74bps	78bps	63bps	135bps	150 bps	70bps	68bps	65bps	34bps
Pakistan - Interbank Money Market Rates - KIBOR & REPO										
KIBOR - 1 Month	11.8100%	11.8800%	11.9000%	10.8400%	13.3500%	22.1000%	16.4000%	10.3900%	7.4500%	13.6800%
KIBOR - 3 Months	12.0300%	11.8000%	11.7600%	10.6300%	12.1400%	21.4600%	17.0000%	10.5400%	7.2900%	13.5500%
KIBOR - 6 Months	12.2500%	12.0100%	11.9600%	10.6500%	12.1600%	21.7100%	17.0400%	11.4600%	7.3500%	13.4900%
Repo - 1 Month	11.5500%	11.5500%	11.5500%	11.0000%	13.0000%	22.1000%	16.2500%	10.3000%	7.2000%	13.4500%
Repo - 3 Months	11.6000%	11.6000%	11.6000%	11.0000%	12.2500%	22.1000%	16.8000%	10.5000%	7.2000%	13.4500%
Repo - 6 Months	11.7000%	11.7000%	11.6500%	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	7.1600%	7.0120%	7.1700%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Eurobond $1.500b - 6.875%-12/27	6.5300%	6.2510%	6.1100%	6.1800%	10.5800%	18.1800%	30.9900%	6.4900%	5.8900%	6.0500%
Eurobond $1.400b - 7.375%-04/31	8.1300%	7.7380%	7.9600%	7.2400%	10.8700%	16.5700%	26.1900%	7.3200%	0.0000%	0.0000%
Eurobond $0.300b - 7.875%-03/36	8.4100%	8.1870%	8.2900%	8.0100%	11.2000%	16.5700%	26.1900%	7.3200%	0.0000%	0.0000%
Eurobond $0.800b - 8.875%-04/51	9.3900%	9.1530%	9.3300%	8.9400%	11.3800%	24.0900%	24.0900%	8.8000%	0.0000%	0.0000%
Sukuk $1.000b - 7.950%-01/29	7.2900%	6.8600%	6.8300%	6.8200%	10.0800%	15.2100%	22.0200%	3.1200%	0.0000%	0.0000%
WAPDA Green -$0.500b-7.50%-06/31	8.8900%	8.5600%	8.6100%	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)	435bps	429bps	469bps	441bps	1493bps	3306bps	9763bps	376bps	465bps	350bps
Forex Reserves - SBP	$21.336b	$21.293b	$21.269b	$21.022b	$16.37b	$12.85b	$11.70b	$24.27b	$20.31b	$18.08b
FCY Debt (Mar26) - SBP	$137.5b	$138.0b	$138.0b	$133.7b	$130.0b	$130.0b	$130.0b	$125.0b	$113.8b	$106.3b
LCY Debt (Mar26) - SBP	57.56 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	$2.18b	$2.24b	$2.30b	$2.64b	$2.00b	$1.40b	$1.30b	$2.10b	$2.73b	$3.74b
SCRA A/C - LCY Debt - SBP	$332m	$313m	$279m	$322m	$858m	$3.60m	$5.20m	$656m	$75m	$1.45b
Policy Rate - SBP	11.50%	11.50%	11.50%	10.50%	13.00%	22.00%	16.00%	9.75%	7.00%	13.25%
Fed Rate (US$)	3.75%	3.75%	3.75%	3.75%	4.25%	5.50%	4.00%	0.25%	0.25%	1.75%
CPI (Monthly)	10.90%	10.90%	10.90%	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	11,748b	11,748b	11,931b	10,967b	9,144b	8.548tr	7.795tr	7.20tr	6.30tr	5.44 tr
OMO-QE Injection - SBP	14.539 tr	13.804 tr	14.168 tr	13.122 tr	11.18 tr	10,119b	5,177b	1,674b	1,000b	975b
PSX - 100-Index	165,596	171,115	162,994	174,054	117,008	64,661	39,669	44,886	43,416	40,735
Wheat - (USd-MT)	$248.50	$220.21	$226.84	$222.16	$246.00	$245	$329	$274	$212	$224
Cotton - US Cotton #2 (CTZ5) - USd	$81.86	$83.05	$80.73	$64.34	$68.76	$81.22	$84.53	$113.00	$76.17	$69.05
Sugar London - USd - LSUc1	$442.90	$431.90	$444.80	$426.00	$509.00	$594.00	$554.00	$497.00	$408.00	$358.00
Soybean - USd/Bu	$1,190	$1,175	$1,183	$1,042	$981	$1,298	$1,524	$1,288	$1,341	$942
Coal - USd/T	$131.50	$132.20	$133.65	$106.65	$123.50	$131.55	$404.15	$169.60	$87.40	$67.50
Oil (WTI-OPEC)	$107.65	$95.42	$101.16	$57.89	$71.94	$72.92	$79.93	$76.38	$48.20	$61.20
Gold (Spot - USD/t.oz)	$4,550	$4,715	$4,598	$4,321	$2,635	$2,075	$1,840	$1,804	$1,891	$1,518
Silver (Spot - USD/t.oz)	$75.51	$80.32	$75.31	$74.62	$30.50	$23.75	$24.10	$21.93	$24.42	$17.18
Copper - USD/Lbs	$6.20	$6.25	$5.93	$4.09	$4.09	$3.69	$3.90	$4.28	$3.47	$2.74
Bitcoin -BTC	$76,988	$81,481	$80,074	$88,412	$101,138	$42,265	$17,561	$47,169	$28,841	$7,294
US$ Index - DXY	99.32	97.90	98.13	98.30	108.49	101.33	110.05	89.21	93.27	96.54
PKR/US$ - KERB - Ecs	279.40	279.45	279.40	282.10	282.00	284.00	236.50	180.00	161.00	155.10

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