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Monitoring Desk

Rates topping 13 percent spur unprecedented flows into T-bills

KARACHI: Global investors have piled $642.5 million into local-currency bonds this month alone, more than what they invested in the debt in the past four years, according to central-bank data going back to 2015, Bloomberg reported.

Foreign inflows into short term treasury bills crossed the $1 billion mark this fiscal year, State bank data showed.

The SBP data showed that the country received $1.097 billion investment in T-bills from July 1 to November 19. In the auction held on November 20, cut-off yields on three-, six- and 12-month papers were 13.51pc, 13.28pc and 13.24 pc, respectively.

Interest in the nation's bonds has surged this year as the State Bank of Pakistan more than doubled its policy rate to 13.25 percent -- the highest in Asia -- over 10 meetings to help stabilise the economy.

Reuters data showed that emerging market policymakers have slashed interest rates this fiscal year, taking their lead from major central banks such as the U.S. Federal Reserve, joining in efforts to shore up their economies.

Interest rate moves by central banks across a group of 37 developing economies showed a net 9 cuts in October after a net 11 cuts in September. October market the ninth straight month of net cuts - the longest easing cycle for emerging market central banks since 2013.

However, Pakistan and four other economies in the basket of 50 emerging market economies have increased their interest rates during the year.

Interest rate, along with government efforts to improve public finances with support from the International Monetary Fund, has boosted the allure of the notes as the world's pool of negative-yielding debt deepened.

Pakistan "stands out" in a low-yield global environment "following the recent rate hikes and currency adjustment - and more broadly, the reform momentum under the IMF," said Bilal Khan, senior economist at Standard Chartered Plc in Dubai.

Foreign flows in November have all gone into Treasury bills -- which have a maximum holding period of 1 year -- with 55 percent of them coming from the U.K. and 44 percent from the U.S., the central bank data showed.

The nation's local-debt market has not traditionally been a magnet for portfolio flows like other emerging markets and wasn't attractive for years, said Khan, who visited fund managers in Europe last month inquiring about Pakistan.