

Foreign investors buy T-bills worth \$51m in June

KARACHI: Foreign investors have renewed their interest in the country's Treasury bills (T-bills) as they bought short-term instruments worth \$51 million during the month of June, data released by the State Bank of Pakistan (SBP) showed.

Foreign investment in the country's T-bills had peaked in March this year before the Covid-19 shock caused abrupt outflows.

The latest SBP data showed that despite drastic cuts in the T-bill rates, foreign investors bought \$51m in government papers in June -- the last month of the FY2019-20.

Moreover, the data also showed that foreign investors did not pull out all their investments in the last fiscal year that ended on June 30.

During FY20, the total hot money inflows were around \$3.692 billion while the outflow was \$3.060bn, with around \$632m investment in T-bills remaining intact.

The pandemic that intensified in March and enveloped the entire globe, created a panic in the international market including Pakistan. Foreign investors sold their holdings in riskier countries for safer markets.

However, the other strong reason for outflow were the frequent interest rate cuts and falling returns on T-bills. The SBP has slashed the interest rate by 625 basis points since March bringing it down to seven per cent from 13.25pc.

The SBP's move was aimed at pumping maximum liquidity and activating the economy in the emergency-like situation which developed after the pandemic.

The UK emerged as the sole investor in T-bills during June with inflows of \$51m compared to an outflow of \$1.7m.

Foreign investors also bought \$5m worth of Pakistan Investment Bonds during the month.

The SBP data also reported that in the first two days of July, the country received about \$10m investment in the T-bills.

Cumulatively, in the last fiscal year, inflows from the UK were \$2.587bn against outflows of \$2.507bn. However, the investment from USA was \$893m while the outflow was \$475m.

The returns on three-month, six-month and 12-month T-bills on June 30, FY20 were 6.84pc, 6.66pc and 6.85pc respectively.

Financial circles find it interesting that investors are willing to invest in Pakistan. They said that one of the reasons for this could be that the returns on T-bills in Pakistan are still higher than many countries as some international banks and bonds are offering much less whereas in some countries, the interest rates are negative.

Moreover, they said the rising foreign exchange reserves may have inspired confidence in some foreign investors. In addition, they said the dollar holdings of the commercial banks have been increasing since the last couple of months as well.