

Minimal fluctuations in T-bill rates for this week whilst BPNG continues to offer the 7 Day Fixed Rate Full Allocation (FRFA).

- A total of K220.28m was offered in the T-bill auction this week. There was an oversubscription in the overall auction results by an aggregate amount of K160.02m. The 364 day offering experienced strong bidding 2.48% subscription rate.
- Nil bids were received for the 182 days tenor. The auction was undersubscribed by K50m.
- Rates for the 182 paper closed the week unchanged as the previous auction results whilst the 273 tenor increased by 5bps. Rates for the 364 days paper remained unchanged.
- Graph 1.0** shows movement over a 12 month period for the 182, 273 and 364 days papers.
- The Central Bank notes that headline inflation is anticipated to remain low while core inflation to moderate, based on its assessment of economic fundamentals and broader macroeconomic indicators.
- The Kina Facility Rate (KFR) has reduced by 50 basis points for as at last month from 3.00% to 2.50%. The reduction aims to support economic growth as inflation remains subdued.
- BSP Treasury monthly market summary noted BPNG’s increased intervention in the FX market has played a big part in system liquidity and the increase in auction rates across all tenors.
- The Government at the end of last month passed the Budget for 2024. Budget deficit of 3.3% of GDP, or PGK3,983.6million. Deficit balance of PGK2,320.4 to be financed domestically through Treasury Bills, Bonds, and loans, and the remainder externally.
- GIS for this week’s auctions was cancelled on the 19/12/2023 by the Department of Treasury. Department of Treasury advised they have not met the legal requirement to issue the Treasury bond (GIS) for the auction hence the cancellation.

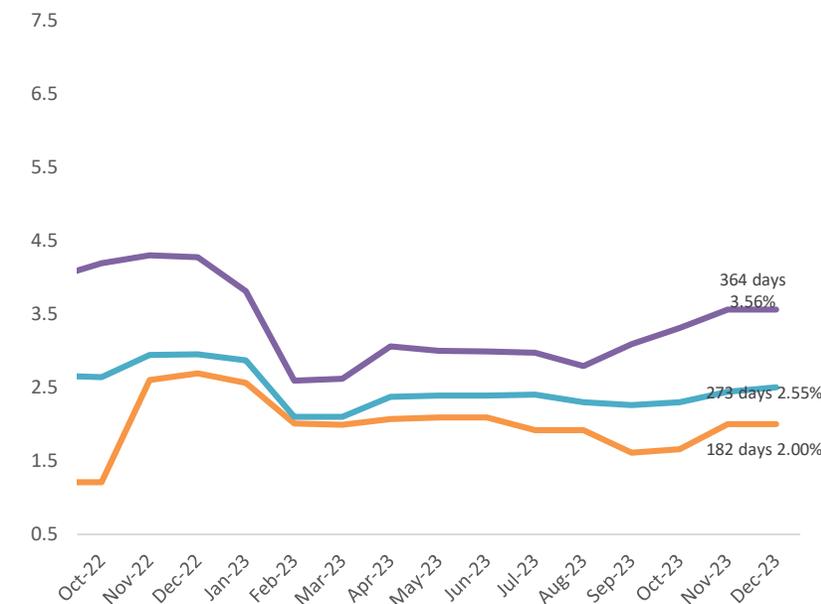
Table 1.0 – Previous auction results

Auction results 22nd December 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -22/12	2.00%	2.55%	3.56%	
Amount on offer (K'm)	50	30	140.28	220.28
Bids received (K'm)	0	32	348.3	380.3
Successful bids(K'm)	0	32	333.3	365.3
Overall-Subscription rate (%)	-	1.07	2.48	1.73

Auction results 14th December 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -14/12	2.00%	2.50%	3.56%	
Amount on offer (K'm)	10	30	272.79	312.79
Bids received (K'm)	0	32	411.1	443.1
Successful bids(K'm)	0	30	272.79	302.79
Overall-Subscription rate (%)	-	1.07	1.51	1.42

Auction results 08th December 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -08/12	2.00%	2.48%	3.56%	
Amount on offer (K'm)	10	20	270.84	300.84
Bids received (K'm)	10	20	465.64	495.64
Successful bids(K'm)	10	20	270.84	300.84
Overall-Subscription rate (%)	1.00	1.00	1.72	1.65

Graph 1.0-Yield curve (%) showing movement in the 182,273 and 364 days T-bills over 12 month period



Money market Insight

- Term deposit rates for all tenors remained flat across the board this week.
- The Central Bank continues to strengthen the monetary policy operational framework by intensifying efforts to mop up excess liquidity and adopt more effective short-term liquidity management instruments. One of the measures introduced by BPNG is the 7-Day Fixed Rate Full Allocation (FRFA) Central Bank Bill.
- The FRFA Auction is exclusive to deposit takers, such as commercial banks, Savings & Loans Societies and Finance Companies. This week saw the fixed rate remained unchanged at 2.50%, there are specific requirements, and outcome is solely subjected to Bank of PNG's decision.
- This week's FRFA Central Bank Bill auction allocated K2,017.90bn at a fixed rate of 2.50 percent. To improve the transmission of monetary policy, BPNG will continue to align its monetary policy instruments to better influence domestic market interest rates to respond to changes in the monetary policy rate, the KFR. As a result, the 7-day Central Bank Bill rate, the short-term liquidity instrument under the Fixed Rate Full Allotment auction has increased by 50 basis points to 2.50 percent with immediate effect.
- The September Treasury Bond issuance was held on the 23rd September 2023. Debt issuance were for 2,3,4,6,7,8,9 and 10 years with a total issuance amount of K510.4m. Coupon rates declined on all the papers.
- GIS appropriation for 2023 have been fully issued as at October this year. There will be no issuance for the remainder of the year until further notice.

Table 2.0 – Financial institutions rates and short term government paper rates as at 22nd December 2023

Issuer	Term & rates (Current)					Term & rates (Previous)					Change/movement				
	30	60	90	180	365	30	60	90	180	365	30	60	90	180	365
Commercial banks															
BSP	0.55%	0.55%	0.60%	1.05%	1.55%	0.55%	0.55%	0.60%	1.05%	1.55%	0.00%	0.00%	0.00%	0.00%	0.00%
Kina Bank	0.50%	0.75%	0.90%	1.15%	1.25%	0.50%	0.75%	0.90%	1.15%	1.25%	0.00%	0.00%	0.00%	0.00%	0.00%
Westpac (PNG)	0.50%	0.50%	0.50%	1.00%	1.00%	0.50%	0.50%	0.50%	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ADIs															
BSP Finance (PNG)	0.10%	0.10%	0.15%	0.60%	1.10%	0.10%	0.10%	0.15%	0.60%	1.10%	0.00%	0.00%	0.00%	0.00%	0.00%
Credit Corporation (PNG)	0.85%	1.15%	1.50%	1.95%	2.35%	0.85%	1.15%	1.50%	1.95%	2.35%	0.00%	0.00%	0.00%	0.00%	0.00%
FinCorp	0.90%	1.15%	1.50%	2.00%	2.35%	0.90%	1.15%	1.50%	2.00%	2.35%	0.00%	0.00%	0.00%	0.00%	0.00%
Moniplus	0.75%	1.00%	1.25%	1.75%	2.00%	0.75%	1.00%	1.25%	1.75%	2.00%	0.00%	0.00%	0.00%	0.00%	0.00%
First Investment Finance	0.90%	1.10%	1.20%	1.20%	2.10%	0.90%	1.10%	1.20%	1.20%	2.10%	0.00%	0.00%	0.00%	0.00%	0.00%
Government Securities															
Treasury bills (W.A.R)			182	273	364			182	273	364	0.00%	0.00%	0.00%	0.05%	0.00%
			2.00%	2.55%	3.56%			2.00%	2.50%	3.56%					
Central Bank															
Central Bank bills (W.A.R)	7	14	28	63	91	7	14	28	63	91	0.00%	0.00%	0.00%	0.00%	0.00%
	2.50%	0.00%	0.00%	0.00%	0.00%	2.50%	0.00%	0.00%	0.00%	0.00%					

Table 3.0 – Long dated government paper rates – last auction results in September 2023

Issuer	Term (years)	Coupon	Term & rates (Current)								
			2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)			4.40%	4.45%	4.60%	0.00%	5.10%	5.40%	5.50%	5.70%	5.76%
		Weighted Average Rates	3.93%	4.16%	4.49%	0.00%	4.99%	5.27%	5.42%	5.56%	5.74%
<i>Auction results from 23/09/23</i>											
Issuer	Term (years)		Term & rates (Previous)								
			2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)		Coupon	4.40%	4.50%	4.70%	0.00%	5.20%	5.50%	5.60%	5.80%	6.00%
		Weighted Average Rates	0.00%	4.19%	4.35%	0.00%	4.98%	5.27%	5.43%	5.61%	5.76%
<i>Auction results from 23/08/23</i>											
	Term (years)		Change/movement								
			2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)		Coupon	0.00%	-0.05%	-0.10%	0.00%	-0.10%	-0.10%	-0.10%	-0.10%	-0.24%
		Weighted Average Rates	3.93%	-0.03%	0.14%	0.00%	0.01%	0.00%	-0.01%	-0.05%	-0.02%

Money market Insight

FRFA rate remained at 2.5%, similarly the KFR is at 2.5%. The reduction aims to support economic growth as inflation remains subdued.

Table 4.0 – Volume of FRFA traded in 7 weeks

Date: 22/12/2023	Rates (%)	Bids Received
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.50%	2,017.90

Date: 15/12/2023	Rates (%)	Bids Received
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.50%	2,231.90

Date: 08/12/2023	Rates (%)	Bids Received
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.50%	2,188.90

Date: 01/12/2023	Rates (%)	Bids Received
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.50%	2,390.90

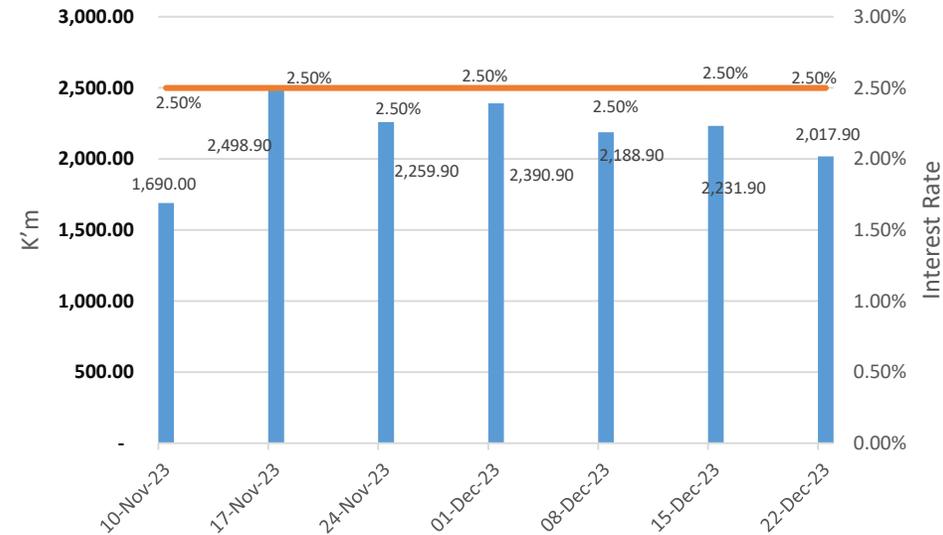
Date: 24/11/2023	Rates (%)	Bids Received
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.50%	2,259.90

Date: 17/11/2023	Rates (%)	Bids Received
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.50%	2,498.90

Date: 10/11/2023	Rates (%)	Bids Received
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.50%	1,690.00

Traded in 7 weeks K'000		Total
		15,278.40

Graph 2.0-FRFA Volume



- The T-bill Tap and T-bond Tap papers remain temporarily closed until further notice.

Table 4.0 – Long dated papers-BPNG Tbill Tap and BPNG Tbond Tap as at June 2023

Issuer	Term & rates (Current)			
Term (years)	2	4	8	10
BPNG TBOND TAP	CLOSED UNTIL FURTHER NOTICE			

Issuer	Term & rates (Previous)				
Term (Days)	63	91	182	273	364
BPNG TREASURY BILL TAP	CLOSED UNTIL FURTHER NOTICE				

¹ <https://www.bankpng.gov.pg/wp-content/uploads/2018/06/BPNG-TAP-FACILITY-TBILL-TBOND.pdf>

For more information on your bidding strategy, please contact the team on phone 309 8501 or email bcapenquiries@bsp.com.pg

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