

T-bill rates drop further as interest picks up in the absence of alternative investments...T-Bill interest rates for the 364 day paper losing 0.44% to end at 3.81%.

- A total of K239.31m worth of T-bills were offered last week. More than half a billion was received in the week's auction, however only K386.41m was accepted.
- The 182 and 273 days paper offered K30m each respectively whilst the rest were in the 364 days paper.
- Rates dropped week on week for all terms with the 364 days dropping more than 30 basis points.
- Graph 1.0 shows movement over a 12-month period for the 182, 273 & 364 days papers.
- Liquidity remained high and inflation expected to moderate to 5.7% in 2023 with monetary policy tightens.

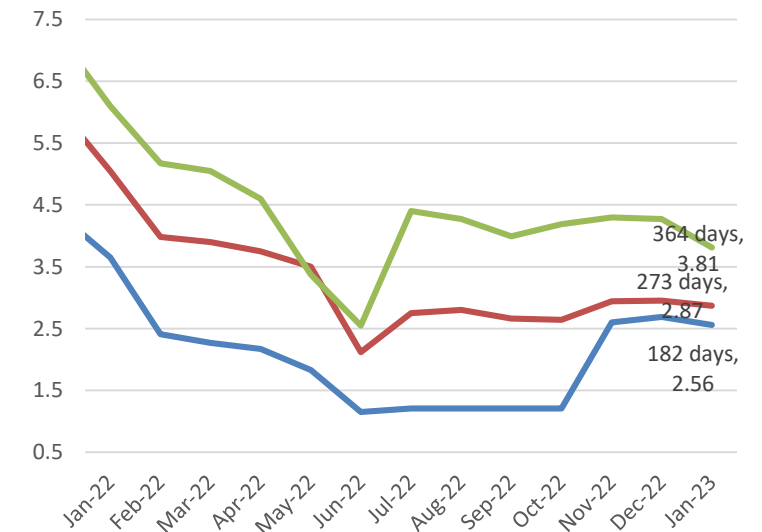
Table 1.0 – Previous auction results

Auction results 18th January 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -18/12	2.56%	2.87%	3.81%	
Amount on offer	30	30	179.31	239.31
Bids received	115	75	665.27	855.27
Successful bids	95	60	231.41	386.41
Overall-Subscription rate	3.83	2.50	3.71	3.57

Auction results 11th January 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -11/01	2.65%	2.96%	4.12%	
Amount on offer	50	50	206.04	306.04
Bids received	115	50	766.63	931.63
Successful bids	50	50	206.04	306.04
Overall-Subscription rate	2.30	1.00	3.72	3.04

Auction results 4th January 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -04/01	2.68%	2.95%	4.25%	
Amount on offer	50	10	295.85	355.85
Bids received	110	10	857.24	977.24
Successful bids	50	10	260.2	320.2
Overall-Subscription rate	2.20	1.00	2.90	2.75

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 were mostly unchanged from prior week except for Credit Corp which saw a decline across the board.
- Whilst changes, were noted in the government papers, the Central Bank Bills was mostly flat.
- Treasury Bills dropped with the surge in demand particularly for the 364 days paper.
- The 2023 National Budget which was released late December 2022, showed an increase in expenditure by K2.5bn to K24.6bn compared to 2022.
- Budget deficit of K5.0bn is expected to be financed through external borrowing (K3.5bn) and domestic disbursements (K1.5bn)¹.
- New Treasury Bond issuance is yet to be announced.

¹KPMG PNG Budget 2023

Table 2.0 – Financial institutions rates and short term government paper rates as at 23rd January 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	0.35%	0.35%	0.40%	0.85%	1.35%	0.35%	0.35%	0.40%	0.85%	1.35%	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)	0.05%	0.05%	0.05%	0.10%	0.25%	0.05%	0.05%	0.05%	0.10%	0.25%	0.00%	0.00%	0.00%	0.00%	0.00%
ADIs															
BSP Finance (PNG)	0.60%	0.60%	0.65%	1.10%	1.60%	0.60%	0.60%	0.65%	1.10%	1.60%	0.00%	0.00%	0.00%	0.00%	0.00%
Credit Corporation (PNG)	1.10%	1.35%	1.95%	2.40%	2.95%	1.20%	1.50%	2.15%	2.60%	3.10%	-0.10%	-0.15%	-0.20%	-0.20%	-0.15%
FinCorp	0.50%	1.00%	1.50%	1.75%	1.85%	0.50%	1.00%	1.50%	1.75%	1.85%	0.00%	0.00%	0.00%	0.00%	0.00%
Moniplus	1.00%	1.25%	1.50%	2.00%	2.50%	1.00%	1.25%	1.50%	2.00%	2.50%	0.00%	0.00%	0.00%	0.00%	0.00%
First Investment Finance	0.80%	1.00%	1.20%	1.30%	2.50%	0.80%	1.00%	1.20%	1.30%	2.50%	0.00%	0.00%	0.00%	0.00%	0.00%
Government Securities															
Treasury bills (W.A.R)			2.56%	2.87%	3.81%			2.65%	2.96%	4.12%	0.00%	0.00%	-0.09%	-0.09%	-0.31%
Central Bank															
Central Bank bills (W.A.R)	1.93%	2.44%	2.69%			1.93%	2.45%	2.69%	0.00%		0.00%	-0.01%	0.00%	0.00%	0.00%

Table 3.0 – Long dated government paper rates – last auction results in November 2022

Issuer	Term & rates (Current)						
	2	4	5	7	8	9	10
Term (years)							
Treasury bonds (W.A.R)	4.20%	5.16%	5.24%	5.56%	5.44%	5.44%	5.44%
<i>Auction results from 18/11/22</i>							
Issuer	Term & rates (Previous)						
	2	4	5	7	8	9	10
Term (years)							
Treasury bonds (W.A.R)	4.20%	4.97%	5.44%	5.93%	6.18%	6.35%	6.28%
<i>Auction results from 21/10/22</i>							
Change/movement							
Term (years)							
Treasury bonds (W.A.R)	0.00%	0.19%	-0.20%	-0.37%	-0.74%	-0.91%	-0.84%

Money market insight

- In the Tap facilities market, T-bond Tap rates were unchanged.
- The T-bond Tap bonds are available in 2, 4, 8 & 10 year terms at 3.70%, 4.66%, 4.94% & 4.94% respectively.
- T-Bond Tap papers pay coupons bi-annually and have the option of early withdrawal.
- The T-bill Tap papers are **temporarily closed** until further notice.
- Eligible Investors can participate in the T-bond Tap Investments¹.
- New purchases at the Tap facility effective this week is only offered to Individuals, Churches and Non-Government organizations.

Table 4.0 – Long dated papers-BPNG Tbill Tap and BPNG Tbond Tap as at 23rd January 2023

Issuer					Term & rates (Current)				
Term (years)	2	4	8	10					
BPNG TBOND TAP	3.70%	4.66%	4.94%	4.94%					
<i>Rates closing 23/12/22</i>									
Issuer					Term & rates (Previous)				
Term (years)	2	4	8	10					
BPNG TBOND TAP	3.70%	4.66%	4.94%	4.94%					
<i>Auction results from 13/01/23</i>									
					Change/movement				
Term (years)	2	4	8	10					
BPNG TBOND TAP	0.00%	0.00%	0.00%	0.00%					
<i>Auction results from 30/12/22</i>									
Issuer					Term & rates (Previous)				
Term (Days)	63	91	182	273	364				
BPNG TREASURY BILL TAP	CLOSED TEMPORARILY								

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

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