

**364 Days' Treasury Bill closes the week at 3.39%, up 10 bps but overall undersubscription continued whilst BPNG continues to offer the 7 Day Fixed Rate Full Allocation (FRFA).**

- A total of K273.9m was offered in the T-bill auctions this week. The overall auction was undersubscribed by K40.1m. Significant undersubscription was seen in the 364 days paper whilst no offerings made for the 273 days paper. The 182 days tenor remained unattractive for two consecutive weeks in a row with nil takers for this week's bid.
- Weighted average rate for the 364 days paper increased by 10 basis points whilst rates for the 182 and 273 days remained unchanged respectively compared to prior corresponding period.
- Graph 1.0 shows movement over a 12 month period for the 182, 273 and 364 days papers.
- The Central Bank anticipates the headline inflation to remain low while core inflation to moderate, based on its assessment of economic fundamentals and broader macroeconomic indicators.
- The Kina Facility Rate (KFR) remains at 2.00% since February.
- BPNG's increased intervention in the FX market played a big part in system liquidity and the increase in auction rates across all tenors.
- The 2024 budget has a deficit of 3.3% of GDP, or PGK 3,983.6 million. The deficit balance of PGK 2,320.4m is to be financed domestically through Treasury Bills, Bonds, and loans, and the remainder externally.

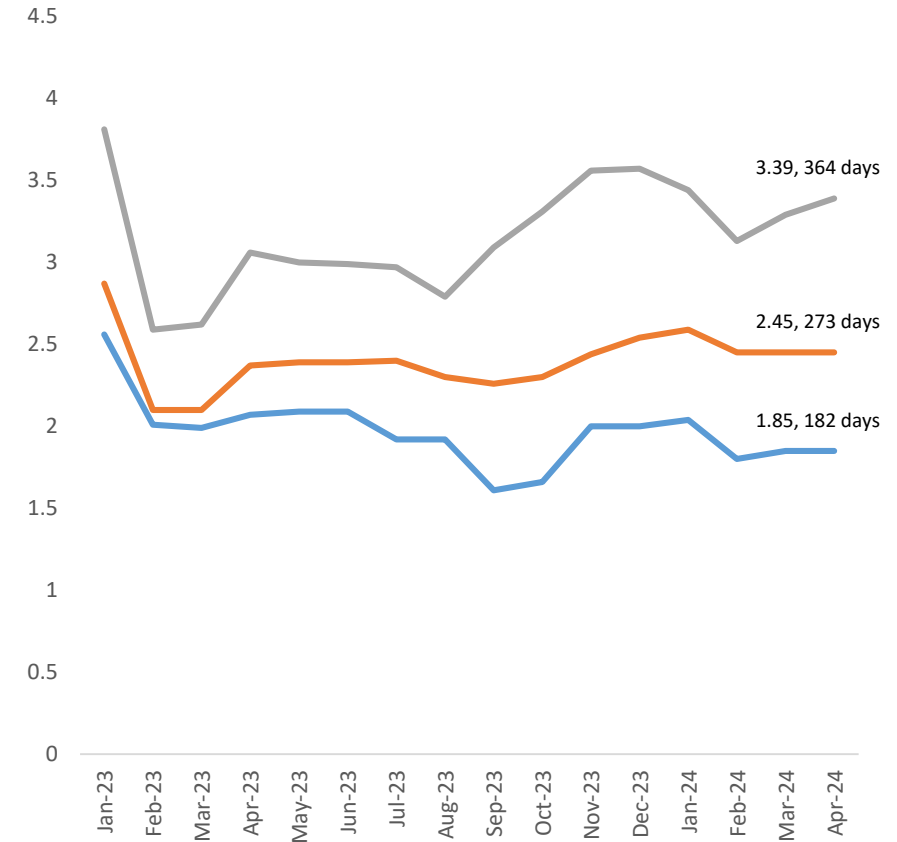
**Table 1.0 – Previous auction results**

Auction results 05 April 2024				
Terms	182 days	273 days	364 days	Total
W.A.Y -05/04/24	1.85%	2.45%	3.39%	
Amount on offer (K'm)	10	0	263.90	273.90
Bids received (K'm)	0	0	233.80	233.80
Successful bids (K'm)	0	0	233.80	233.80
Overall-Subscription rate (%)	-	-	89%	85%

Auction results 28 March 2024				
Terms	182 days	273 days	364 days	Total
W.A.Y -28/03/24	1.85%	2.45%	3.29%	
Amount on offer (K'm)	15	0	295.74	310.74
Bids received (K'm)	2	0	299.73	301.73
Successful bids (K'm)	2	0	299.73	301.73
Overall-Subscription rate (%)	13%	-	101%	97%

Auction results 22 March 2024				
Terms	182 days	273 days	364 days	Total
W.A.Y -22/03/24	1.85%	2.45%	3.22%	
Amount on offer (K'm)	50	10	297.5	357.5
Bids received (K'm)	30	10	209.6	249.6
Successful bids (K'm)	30	10	209.6	249.6
Overall-Subscription rate (%)	60%	100%	70%	70%

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



# BSP Capital Limited

## Money Market Insight

Issue: #14/2024

- Term deposit rates for all tenors remained relatively unchanged.
- 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 authorized deposit takers, such as commercial banks, Savings & Loans Societies and Finance Companies. The fixed rate remained constant at 2.00% for the last two weeks with this week's results yet to be announced.
- FRFA CBBs continue to support the transmission of monetary policy, as BPNG remain focused to align its monetary policy instruments to better influence domestic market interest rates' response to changes in the monetary policy rate -the KFR. As a result, the 7-day Central Bank Bill, the short-term liquidity instrument under the Fixed Rate Full Allotment auction continues to be offered at 2.00 percent.
- Offering on 22 March 2024 allocated K 1, 930.90bn at a fixed rate of 2.00%.
- Second tranche of GIS issuance was held last month. A total of K800m was offered, with an outcome of undersubscription.
- Tentative issuance date for GIS this month is on the 23/04/2024.
- Trading in the longer dated instruments continues to provide an alternative investment option for investors to participate.
- In its 2024 debt financing plan, Government announced its intention to continue borrow domestically through issuance of Government Securities (Treasury Bills & Bonds). Issuance of Treasury Bills will continue on weekly basis while Treasury Bond to be issued monthly.
- The Government in its Debt Issuance Plan has budgeted to issue a total of K 4,300.90m in monthly auctions starting February 2024 to November 2024.

**Table 2.0 – Financial institutions rates and short term government paper rates as at 05 April 2024**

Issuer	Term & rates (Current)					Term & rates (Previous)					Change/movement				
	30	60	90	180	365	30	60	90	180	365	30	60	90	180	365
<b>Commercial banks</b>															
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	0.25%	0.50%	0.65%	0.90%	1.00%	0.25%	0.50%	0.65%	0.90%	1.00%	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%
<b>ADI</b>															
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%
<b>Government Securities</b>															
Treasury bills (W.A.R)			1.82%	2.73%	3.64%			1.82%	2.73%	3.64%	0.00%	0.00%	0.00%	0.00%	0.07%
<b>Central Bank</b>															
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%

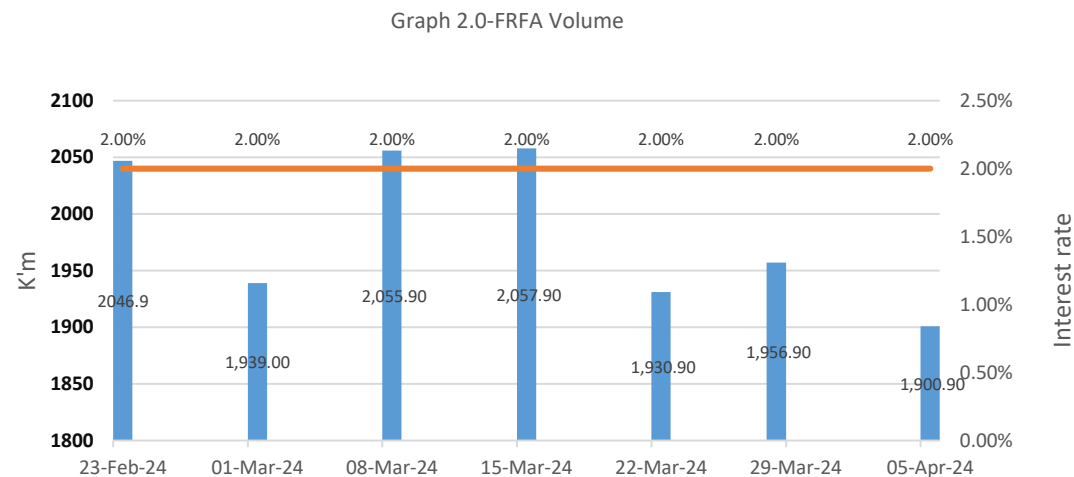
**Table 3.0 – Long dated government paper rates – Auction results as at 28 March 2024**

Issuer	Term (years)	Term & rates (Current)								
		2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)	Coupon	4.31%	4.40%	0.00%	4.70%	5.00%	5.30%	5.40%	5.60%	5.80%
	Weighted Average Rates	4.30%	4.41%	0.00%	4.73%	5.03%	5.32%	5.49%	5.66%	5.87%
<i>Auction results from 27/02/24</i>										
Issuer	Term (years)	Term & rates (Previous)								
Treasury bonds (GIS)	Coupon	0.00%	0.00%	0.00%	4.80%	5.10%	5.40%	5.50%	5.70%	6.00%
	Weighted Average Rates	0.00%	0.00%	0.00%	4.80%	5.09%	5.37%	5.49%	5.68%	5.98%
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Issuer	Term (years)	Change/movement								
Treasury bonds (GIS)	Coupon	4.31%	4.40%	0.00%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.20%
	Weighted Average Rates	4.30%	4.41%	0.00%	-0.07%	-0.06%	0.05%	0.00%	-0.02%	-0.11%

FRFA volume transacted dipped further down by 2.9% in last week's auction compared to previous week. The 7 Days bill is fixed at 2% and aims to support economic growth by mopping up excess liquidity as inflation remains subdued

**Table 4.0 – Volume of FRFA Traded in Last 7 Weeks**

Date: 05/04/2024		
Central Bank	Rates (%)	Bids Received
Central Bank bills (W.A.R)	7 Days 2.00%	K'000 1,900.9
Date: 28/03/2024		
Central Bank bills (W.A.R)	7 Days 2.00%	K'000 1,956.90
Date: 22/03/2024		
Central Bank bills (W.A.R)	7 Days 2.00%	K'000 1,930.90
Date: 15/03/2024		
Central Bank bills (W.A.R)	7 Days 2.00%	K'000 2,057.90
Date: 08/03/2024		
Central Bank bills (W.A.R)	7 Days 2.00%	K'000 2,055.90
Date: 01/03/2024		
Central Bank bills (W.A.R)	7 Days 2.00%	K'000 1,939.00
Date: 23/02/2024		
Central Bank bills (W.A.R)	7 Days 2.00%	K'000 2,046.90
<b>Traded in 7 weeks K'm</b>		<b>13,888.4</b>



- 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
<b>BPNG TBOND TAP</b>		CLOSED UNTIL FURTHER NOTICE			

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

<sup>1</sup> <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](mailto:bcapenquiries@bsp.com.pg)**

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