

## Treasury Bills auction results in an undersubscription after opening the year with high bid volumes.

- A total of K 419.46m was offered in the T-bill auction this week. The overall auction results was undersubscribed by K 6.82m. The 364 day paper took more than 85% of the total issuance. 364 Days tenor was the undersubscribed term.
- Weighted average rates dropped across all terms indicating investors bidding for rates to be low than previous week for a chance to secure placing. The undersubscription came about as the Government look towards retiring some of the 364 days paper maturities. The investor appetite in 273, and 182 Days tenors trading tempo picked up, indicating investors timeline preferences. The 364 days paper shed 9 basis points compared to previous auction whilst the 182 days and 273 days papers shared similar sentiments losing 20 and 4 basis points respectively.
- 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) dropped by 50bps in February to 2.00%.
- It is being 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 2024 budget has a budget 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.

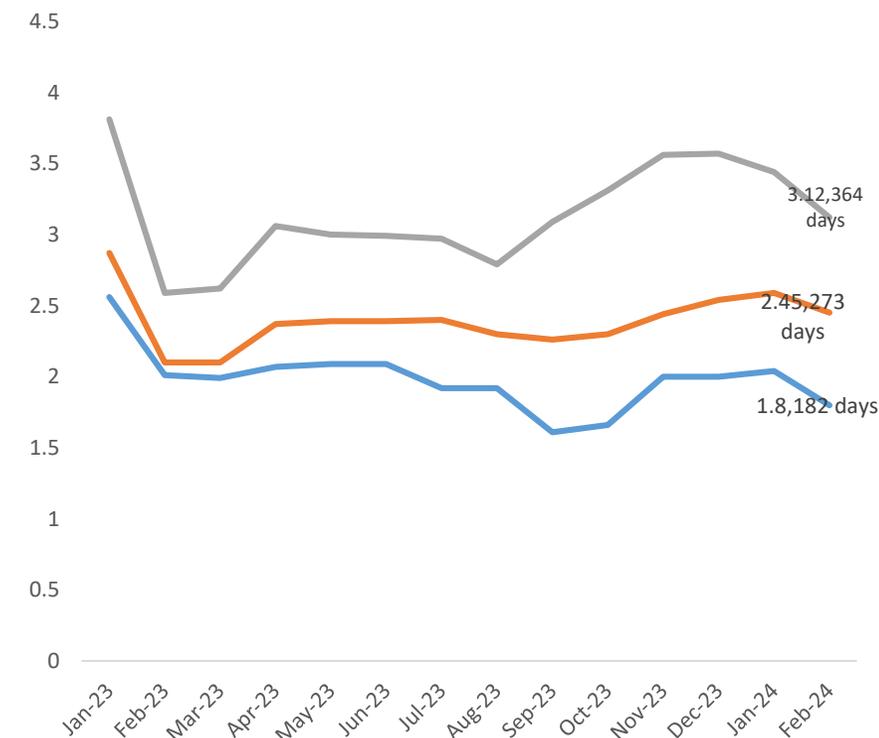
**Table 1.0 – Previous auction results**

Auction results 23 February 2024				
Terms	182 days	273 days	364 days	Total
W.A.Y -23/02/24	1.80%	2.45%	3.13%	
Amount on offer (K'm)	30	30	359.46	419.46
Bids received (K'm)	60	30	322.64	412.64
Successful bids(K'm)	60	30	322.64	412.64
Overall-Subscription rate (%)	2.00	1.00	0.90	0.98

Auction results 16 February 2024				
Terms	182 days	273 days	364 days	Total
W.A.Y -16/02/24	2.00%	2.49%	3.22%	
Amount on offer (K'm)	40	30	313.04	383.04
Bids received (K'm)	52	92	606.28	750.28
Successful bids(K'm)	52	60	353.04	465.04
Overall-Subscription rate (%)	1.30	3.07	1.94	1.96

Auction results 09 February 2024				
Terms	182 days	273 days	364 days	Total
W.A.Y -09/02/24	2.04%	2.54%	3.30%	
Amount on offer (K'm)	30	30	281.17	341.17
Bids received (K'm)	122	61	554.08	737.08
Successful bids(K'm)	70	40	361.17	471.17
Overall-Subscription rate (%)	4.07	2.03	1.97	2.16

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



- Term deposit rates for all tenors remained relatively unchanged. Kina Bank noted a drop in the rates across the board.
- 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. This week saw the fixed rate declined by 50 basis points to 2.00%, its specific requirements, and outcome is solely subjected to Bank of PNG's decision.
- The Central Bank Bill auction allocated K 2,046.90bn at a fixed rate of 2.00 % for the week in the FRFA. 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, the short-term liquidity instrument under the Fixed Rate Full Allotment auction continues to be offered at 2.00 percent.
- 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 K 510.4m. Coupon rates declined on all the papers.
- Last GIS issuance was in September 2023. No further notice has come out on the issuance for 2024.

**Table 2.0 – Financial institutions rates and short term government paper rates as at 23<sup>rd</sup> February 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%	0.50%	0.75%	0.90%	1.15%	1.25%	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%
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>ADIs</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)			1.80%	2.45%	3.13%			2.00%	2.49%	3.22%	0.00%	0.00%	-0.20%	-0.04%	-0.09%
<b>Central Bank</b>															
Central Bank bills (W.A.R)	7	14	28	63	91	7	14	28	63	91	2.00%	0.00%	0.00%	0.00%	0.00%

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

Issuer		Term & rates (Current)									
Term (years)		2	3	4	5	6	7	8	9	10	
Treasury bonds (GIS)	Coupon	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 & rates (Previous)									
Term (years)		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>											
		Change/movement									
Term (years)		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%	

**FRFA volume transacted dipped further 9% from last week to K 2,046.90m. 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 7 weeks**

Date: 23/02/2024	Rates (%)	Bids Received	Interest Earned	Total
Central Bank	7 Days	K'000		
Central Bank bills (W.A.R)	2.00%	2,046.90	285.78	2332.68

Date: 16/02/2024	Rates (%)	Bids Received	Interest Earned	Total
Central Bank	7 Days	K'000		
Central Bank bills (W.A.R)	2.00%	2,247.00	313.72	2560.72

Date: 09/02/2024	Rates (%)	Bids Received	Interest Earned	Total
Central Bank	7 Days	K'000		
Central Bank bills (W.A.R)	2.00%	2,387.00	333.26	2720.26

Date: 02/02/2024	Rates (%)	Bids Received	Interest Earned	Total
Central Bank	7 Days	K'000		
Central Bank bills (W.A.R)	2.50%	2,351.00	328.24	2679.24

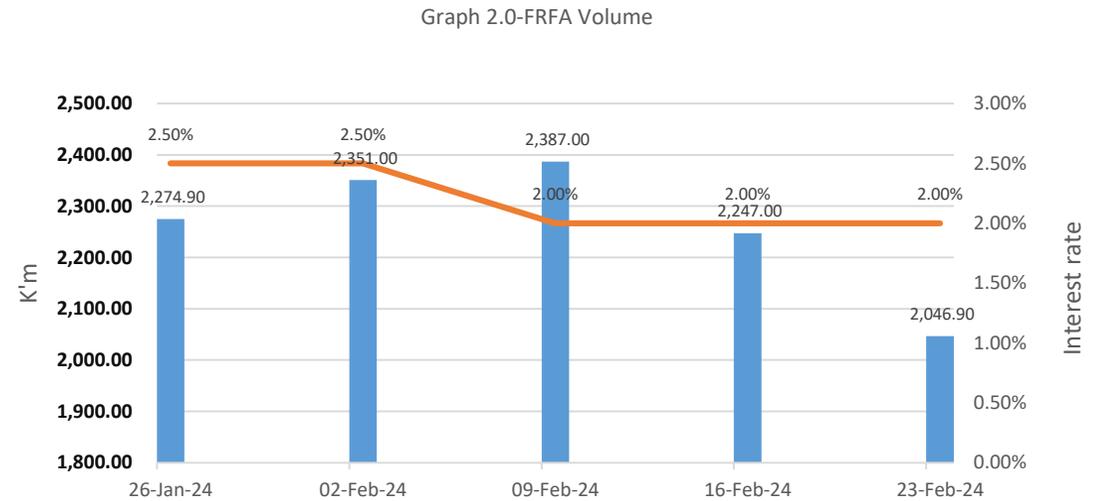
Date: 26/01/2024	Rates (%)	Bids Received	Interest Earned	Total
Central Bank	7 Days	K'000		
Central Bank bills (W.A.R)	2.50%	2,274.90	317.61	2592.51

Date: 19/01/2024	Rates (%)	Bids Received	Interest Earned	Total
Central Bank	7 Days	K'000		
Central Bank bills (W.A.R)	2.50%	2,511.90	350.70	2862.60

Date: 12/01/2024	Rates (%)	Bids Received	Interest Earned	Total
Central Bank	7 Days	K'000		
Central Bank bills (W.A.R)	2.50%	1,890.00	263.88	2153.88



- 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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