

Steady and even trading in T-bill this week whilst BPNG continues to offer the 7 Day Fixed Rate Full Allocation (FRFA).

- A total of K310.12m was offered in the T-bill auction this week. There was an oversubscription in the overall auction results by an aggregate amount of K99.62m. The 364 day offering experienced strong bidding 1.38% subscription rate.
- Nil bids were received for the 182 days tenor. The auction was undersubscribed by K10m.
- Rates for the 182 paper closed the week unchanged as the previous auction results. Rates for the 273 and 364 days paper increased by 4bps and 1bps 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) 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.

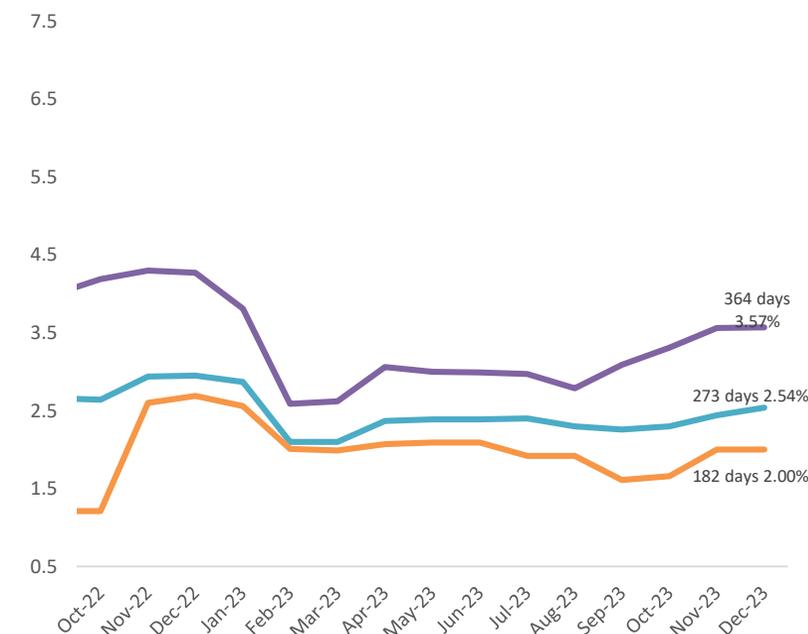
Table 1.0 – Previous auction results

Auction results 29th December 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -22/12	2.00%	2.54%	3.57%	
Amount on offer (K'm)	10	20	280.12	310.12
Bids received (K'm)	0	22	387.74	409.74
Successful bids(K'm)	0	17	340.44	357.44
Overall-Subscription rate (%)	-	1.10	1.38	1.32

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

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 29th 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%	0.04%	0.01%
			2.00%	2.54%	3.57%			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)	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 (years)	Coupon	Term & rates (Previous)								
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>											
Issuer	Term (years)	Coupon	Change/movement								
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: 29/12/2023		
	Rates (%)	Bids Received
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.50%	2,046.90
Date: 22/12/2023		
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.50%	2,017.90
Date: 15/12/2023		
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.50%	2,231.90
Date: 08/12/2023		
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.50%	2,188.90
Date: 01/12/2023		
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.50%	2,390.90
Date: 24/11/2023		
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.50%	2,259.90
Date: 17/11/2023		
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.50%	2,498.90
Traded in 7 weeks K'000		15,635.30

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

Richard P La'a

Acting General Manager, BSP
Capital
Ph: +675 309 8513
Email: RLa'a@bsp.com.pg

Phoebe Endose

Manager-Funds Management
Ph: +675 309 8505
Email: pendose@bsp.com.pg

Michelle Koredong

Investment Analyst – Money markets
Ph: +675 309 8507
Email: mkoredong@bsp.com.pg

Abigail Pepson

Senior Portfolio Analyst
Ph: +675 305 6149
Email: aeperson2@bsp.com.pg

Darren Terupo

Investment Analyst-Funds Management
Ph: +675 309 8531
Email: DTerupo@bsp.com.pg

Disclaimer

This Research comprises general market information and does not take account of your objectives, financial situation or needs. Before acting on this general advice, you should consider the appropriateness of the advice having regard to your situation. We recommend you obtain financial, legal and taxation advice before making any financial investment decision. This information has been prepared for the use of the clients of the BSP Capital Limited (BSPCL) and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient, you must not use or disclose this research in any way. If you received it in error, please tell us immediately by return e-mail and delete the document. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person. Nothing in this report shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any transaction. This report is based on information obtained from sources believed to be reliable, but BSPCL does not make any representation or warranty that it is accurate, complete or up to date. We accept no obligation to correct or update the information or opinions in it. Opinions expressed are subject to change without notice. The BSPCL accepts no liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. BSP Capital Limited produces a variety of research products, recommendations contained in one type of research product may differ from recommendations contained in other types of research. BSPCL has established and implemented a conflicts policy at group level, which may be revised and updated from time to time, pursuant to regulatory requirements; which sets out how we must seek to identify and manage all material conflicts of interest. BSP Capital Limited, its officers and employees may have conflicting roles in the financial products referred to in this research and, as such, may effect transactions which are not consistent with the recommendations (if any) in this research. BSP Capital Limited may receive fees, brokerage or commissions for acting in those capacities and the reader should assume that this is the case. BSP Capital Limited employees or officers may provide oral or written opinions to its clients which are contrary to the opinions expressed in this report.