

The 364 days Treasury Bill paper closed higher whilst BPNG continues to offer the 7-Day Fixed Rate Full Allocation (FRFA) .

- A total of K358.45m was offered in the T-bill auction this week. There was an undersubscription in the overall auction results by an aggregate amount of K30.65m.
- Rates improved for the 364-days & 273-days papers by 6 & 1 basis points respectively. The 182 days paper saw a minimal drop by 4 basis points.
- Graph 1.0 shows movement over a 12-month period for the 182, 273 & 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 Bank therefore, has reduced the Kina Facility Rate (KFR) by 50 basis points to 3.00 percent for September 2023.

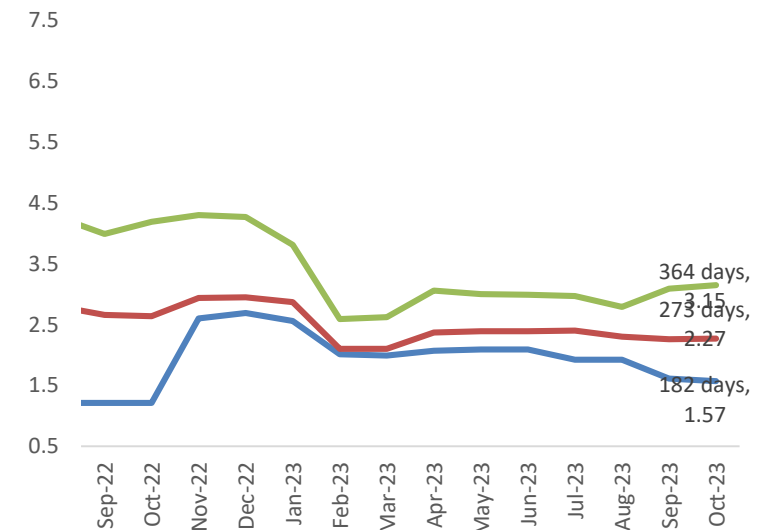
Table 1.0 – Previous auction results

Auction results 4th October 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -04/10	1.57%	2.27%	3.15%	
Amount on offer	10	50	298.45	358.45
Bids received	3.3	20	304.5	327.8
Successful bids	3.3	20	284.5	307.8
Overall-Subscription rate	0.33	0.40	1.02	0.91

Auction results 27 September 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -27/09	1.61%	2.26%	3.09%	
Amount on offer	10	10	290.73	310.73
Bids received	7.63	0	367.48	375.11
Successful bids	7.63	0	290.73	298.36
Overall-Subscription rate	0.76	-	1.26	1.21

Auction results 22 September 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -22/09	1.65%	2.28%	3.06%	
Amount on offer	0	40	221.05	261.05
Bids received	0	15.8	392.6	408.4
Successful bids	0	15.8	221.05	236.85
Overall-Subscription rate	-	0.40	1.78	1.56

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 remained flat 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. With the support of the IMF, one of the measures introduced by BPNG is the 7-Day Fixed Rate Full Allocation (FRFA) Central Bank Bill. The facility is allocated at a fixed rate of 2.00 percent with the intention to align with KFR (3.00%) overtime.
- This week’s FRFA Central Bank Bill auction allocated K1.74bn at a fixed rate of 2.00 percent.
- The September Treasury Bond issuance was held on the 23rd August 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.
- Tentative date for the next Treasury Bond Issuance is 17th October 2023.

Table 2.0 – Financial institutions rates and short term government paper rates as at 06th October 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)	0.05%	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)	0.10%	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	1.00%	1.50%	2.25%	2.50%	2.75%	1.00%	1.50%	2.25%	2.50%	2.75%	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)			1.57%	2.27%	3.15%			1.61%	2.26%	3.09%	0.00%	0.00%	-0.04%	0.01%	0.06%
Central Bank															
Central Bank bills (W.A.R)	2.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	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%	

Money market insight

- 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>

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