

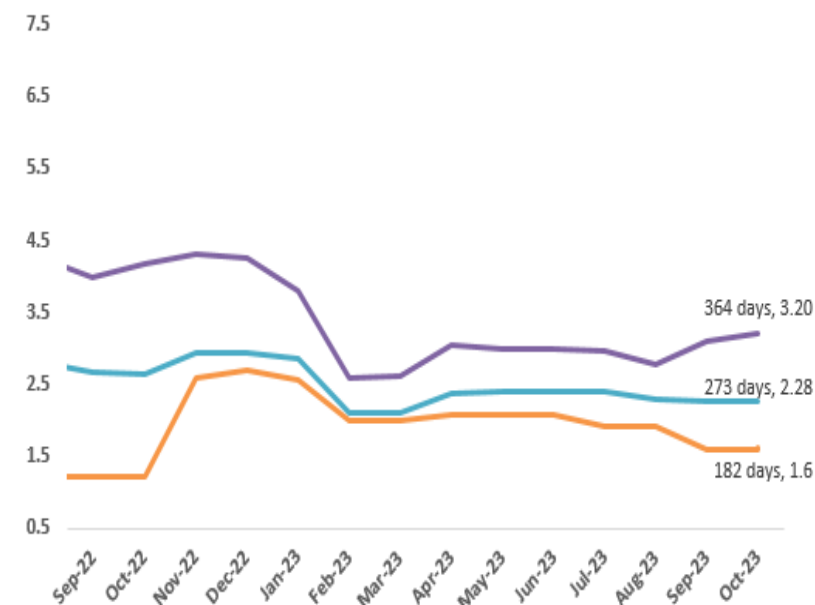
The 364 days Treasury Bill paper closed higher as BPNG continues to offer the 7-Day Fixed Rate Full Allocation (FRFA) .

- A total of K227.53m was offered in the T-bill auction this week. There was an oversubscription in the overall auction results by an aggregate amount of K81.17m.
- Rates improved across the board. The 182 days gained 3 basis points as the 273 days closed on the same rate as last week. The 364 days closed higher by 7 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 assesment of economic fundamentals and broader macroeconomic indicators.
- The Kina Facility Rate (KFR) remained steady at 3.00 since the Central Bank reduced rate by 50 basis as at last month.
- For the last two reporting period, T-bill rates for the 182 days experienced an aggregate increase of 6 basis points, 273 days similarly increased by 1 basis point whilst the 364 days resulted in an aggregate increase of 12 basis points.

Table 1.0 – Previous auction results

| Auction results 18th October 2023 | | | | |
|-----------------------------------|----------|----------|----------|--------|
| Terms | 182 days | 273 days | 364 days | Total |
| W.A.Y -18/10 | 1.63% | 2.28% | 3.27% | |
| Amount on offer | 10 | 10 | 207.53 | 227.53 |
| Bids received | 22.5 | 15.2 | 271 | 308.7 |
| Successful bids | 22.5 | 5.2 | 246 | 273.7 |
| Overall-Subscription rate | 12.50 | 5.20 | 16.47 | 81.17 |
| Auction results 11th October 2023 | | | | |
| Terms | 182 days | 273 days | 364 days | Total |
| W.A.Y -11/10 | 1.60% | 2.28% | 3.20% | |
| Amount on offer | 10 | 20 | 248.58 | 278.58 |
| Bids received | 25 | 19 | 298 | 342 |
| Successful bids | 15 | 19 | 272 | 306 |
| Overall-Subscription rate | 2.50 | 0.95 | 1.20 | 1.23 |
| 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 |

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



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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. 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. With a fixed rate of 2.0%pa, there are specific requirements, and outcome is solely subjected to Bank of PNG's decision.
- 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 of last month. 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 20th 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) | | | 1.63% | 2.28% | 3.27% | | | 1.60% | 2.28% | 3.20% | 0.00% | 0.00% | 0.03% | 0.00% | 0.07% |
| | | | | | | | | | | | | | | | |
| Central Bank | | | | | | | | | | | | | | | |
| Central Bank bills (W.A.R) | 2.00% | 0.00% | 0.00% | 0.00% | 0.00% | 2.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

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

| Issuer | Term (years) | 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) | Term & rates (Previous) | | | | | | | | | |
| | | 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> | | | | | | | | | | | |
| Term (years) | | Change/movement | | | | | | | | | |
| | | 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% | |

- 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

Senior Portfolio Analyst
Ph: +675 309 8505
Email: pendose@bsp.com.pg

Michelle Koredong

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

Marie Sourimant

Senior Portfolio Analyst
Ph: +675 309 8530
Email: msourimant@bsp.com.pg

Abigail Pepson

Senior Portfolio Analyst
Ph: +675 305 6149
Email: apepson2@bsp.com.pg

Darren Terupo

Investment Analyst
Ph: +675 309 8531
Email: dterupo@bsp.com.pg

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