

**KFR down 50 basis points, Treasury Bill rates remained steady for the week, and BPNG continues to offer the 7-Day Fixed Rate Full Allocation (FRFA).**

- A total of K353.31m was offered in the T-bill auction this week. There was an oversubscription in the overall auction results by an aggregate amount of K248.72m. Higher portion of the overall subscription amount maintained by bids received for the 364 days T-bill auction.
- Rates remained steady compared to the last auction results for 10/11/2023 .Nil movements on the rates except for an increase in the amount on offer for the 273 and 364 days respectively. 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) has reduced by 50 basis points for this month from 3.00% to 2.50%. The reduction aims to support economic growth as inflation remains subdued.
- 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.

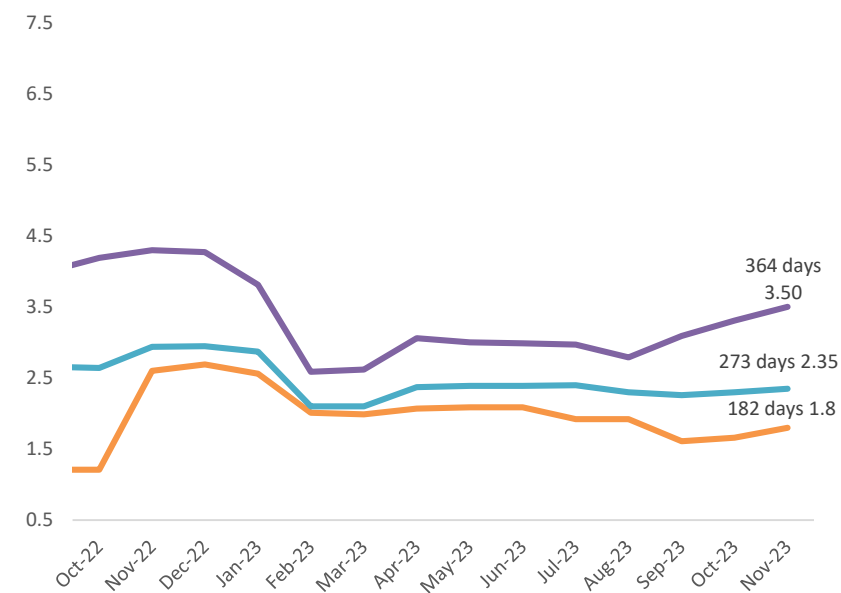
**Table 1.0 – Previous auction results**

| Auction results 17th November 2023 |          |          |          |        |
|------------------------------------|----------|----------|----------|--------|
| Terms                              | 182 days | 273 days | 364 days | Total  |
| W.A.Y -17/11                       | 1.80%    | 2.35%    | 3.50%    |        |
| Amount on offer ( K’m)             | 20       | 30       | 303.31   | 353.31 |
| Bids received (K’m)                | 0        | 2        | 600.03   | 602.03 |
| Successful bids (K’m)              | 0        | 2        | 303.31   | 305.31 |
| Overall-Subscription rate %        | -        | 0.07     | 1.98     | 1.70   |

| Auction results 10th November 2023 |          |          |          |        |
|------------------------------------|----------|----------|----------|--------|
| Terms                              | 182 days | 273 days | 364 days | Total  |
| W.A.Y -10/11                       | 1.80%    | 2.35%    | 3.50%    |        |
| Amount on offer ( K’m)             | 20       | 10       | 294.2    | 324.2  |
| Bids received (K’m)                | 20       | 24       | 364.81   | 408.81 |
| Successful bids (K’m)              | 20       | 10       | 283.41   | 313.41 |
| Overall-Subscription rate          | 1.00     | 2.40     | 1.24     | 1.26   |

| Auction results 1st November 2023 |          |          |          |        |
|-----------------------------------|----------|----------|----------|--------|
| Terms                             | 182 days | 273 days | 364 days | Total  |
| W.A.Y -01/11                      | 1.74%    | 2.33%    | 3.41%    |        |
| Amount on offer ( K’m)            | 10       | 20       | 271.1    | 301.1  |
| Bids received (K’m)               | 12       | 35       | 363.05   | 410.05 |
| Successful bids (K’m)             | 10       | 20       | 271.1    | 301.1  |
| Overall-Subscription rate         | 1.20     | 1.75     | 1.34     | 1.36   |

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 for all Issuer and ADIs except TD rates for Westpac increased by 45 basis points for the 30,60 and 90 days tenors respectively whilst the 180 and 365 days increased by 90 and 75 basis points respectively.
- 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 of 2.00% increased to 2.50%pa, there are specific requirements, and outcome is solely subjected to Bank of PNG's decision.
- This week's FRFA Central Bank Bill auction allocated K2498.90m 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 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 17<sup>th</sup> November 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   |
| <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                    | 0.50%                  | 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% | 0.05%                   | 0.05% | 0.05% | 0.10% | 0.25% | 0.45%           | 0.45% | 0.45% | 0.90% | 0.75% |
| <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                      | 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% |
| <b>Government Securities</b> |                        |       |       |       |       |                         |       |       |       |       |                 |       |       |       |       |
| Treasury bills (W.A.R)       |                        |       | 1.80% | 2.35% | 3.50% |                         |       | 1.74% | 2.33% | 3.41% | 0.00%           | 0.00% | 0.06% | 0.02% | 0.09% |
| <b>Central Bank</b>          |                        |       |       |       |       |                         |       |       |       |       |                 |       |       |       |       |
| Central Bank bills (W.A.R)   | 2.50%                  | 0.00% | 0.00% | 0.00% | 0.00% | 2.50%                   | 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> |                        |                         |        |        |       |        |        |        |        |        |
| Issuer                               | 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 |
| <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)**

**Richard P La'a**

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

**Phoebe Endose**

Senior Portfolio Analyst  
Ph: +675 309 8505  
Email: [pendose@bsp.com.pg](mailto:pendose@bsp.com.pg)

**Michelle Koredong**

Investment Analyst – Money markets  
Ph: +675 309 8507  
Email: [mkoredong@bsp.com.pg](mailto:mkoredong@bsp.com.pg)

**Marie Sourimant**

Senior Portfolio Analyst  
Ph: +675 309 8530  
Email: [msourimant@bsp.com.pg](mailto:msourimant@bsp.com.pg)

**Abigail Pepson**

Senior Portfolio Analyst  
Ph: +675 305 6149  
Email: [apepson2@bsp.com.pg](mailto:apepson2@bsp.com.pg)

**Darren Terupo**

Investment Analyst  
Ph: +675 309 8531  
Email: [dterupo@bsp.com.pg](mailto:dterupo@bsp.com.pg)

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