

Treasury Bills auction oversubscribed for the week whilst BPNG continues to offer the 7 Day Fixed Rate Full Allocation (FRFA).

- A total of K 286.43m was offered in the T-bill auction this week. The overall auction results was oversubscribed by K57.78m. Significant undersubscription was seen in the 273 days papers. Again, the 273 Days tenor was the most unattractive with nil subscriptions for the third consecutive week. The 182 day offering experienced strong bidding 2.00% subscription rate.
- Weighted average rates remained unchanged for the 182 and 273 days paper for the third consecutive week whilst the 364 days increased by 4 basis points.
- 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.
- First tranche of Treasury Bond issuance was held on the 28th February 2024.

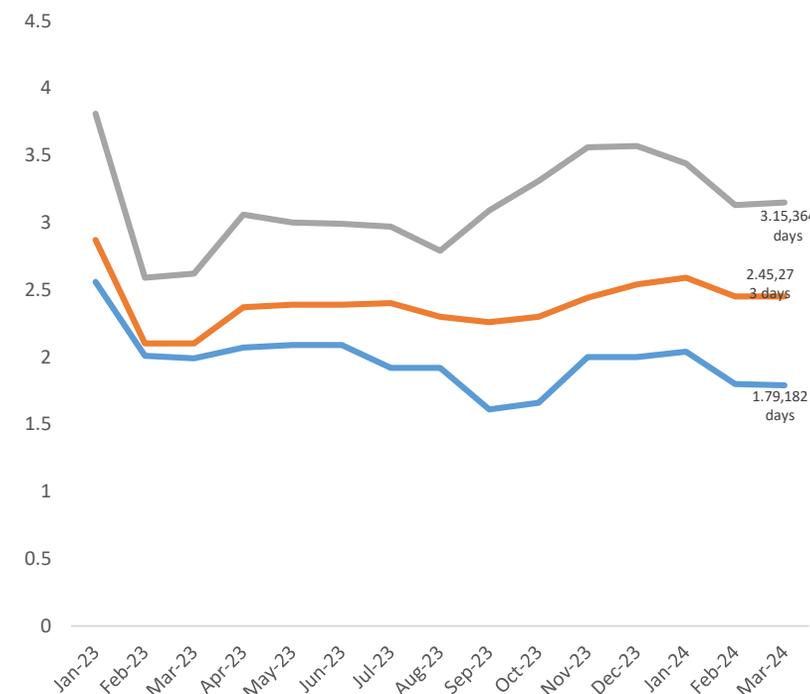
Table 1.0 – Previous auction results

Auction results 15 March 2024				
Terms	182 days	273 days	364 days	Total
W.A.Y -15/03/24	1.79%	2.45%	3.15%	
Amount on offer (K'm)	20	10	256.43	286.43
Bids received (K'm)	40	0	304.21	344.21
Successful bids(K'm)	30	0	256.43	286.43
Overall-Subscription rate (%)	2.00	-	1.19	1.20

Auction results 08 March 2024				
Terms	182 days	273 days	364 days	Total
W.A.Y -08/03/24	1.79%	2.45%	3.11%	
Amount on offer (K'm)	30	20	245.45	295.45
Bids received (K'm)	30	0	147.68	177.68
Successful bids(K'm)	30	0	147.68	177.68
Overall-Subscription rate (%)	1.00	-	0.60	0.60

Auction results 01 March 2024				
Terms	182 days	273 days	364 days	Total
W.A.Y -01/03/24	1.79%	2.45%	3.11%	
Amount on offer (K'm)	10	10	249.26	269.26
Bids received (K'm)	10	0	158.6	168.6
Successful bids(K'm)	10	0	158.6	168.6
Overall-Subscription rate (%)	1.00	-	0.64	0.63

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



BSP Capital Limited

Money market Insight

Issue: #11/2024

- Term deposit rates for all tenors remained relatively unchanged.
- 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, 057.90 bn 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.
- First tranche of Treasury Bond issuance was held on the 28th February 2024.
- Tentative issuance date for GIS this month is on the 19/03/2024.
- Issuance of GIS in the upcoming auctions will create more investment options for investors to participate.
- The Government in its Debt Issuance Plan has budgeted to issue a total of K 4,300.90m in monthly auctions starting February 2024 to November 2024

Table 2.0 – Financial institutions rates and short term government paper rates as at 15th March 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
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	0.25%	0.50%	0.65%	0.90%	1.00%	0.25%	0.50%	0.65%	0.90%	1.00%	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)			1.79%	2.45%	3.15%			1.79%	2.45%	3.11%	0.00%	0.00%	0.00%	0.00%	0.04%
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 – Auction results as at March 2024

Issuer	Term (years)	Term & rates (Current)									
		2	3	4	5	6	7	8	9	10	
Treasury bonds (GIS)	Coupon	0.00%	0.00%	0.00%	4.80%	5.10%	5.40%	5.50%	5.70%	6.00%	
	Weighted Average Rates	0.00%	0.00%	0.00%	4.80%	5.09%	5.37%	5.49%	5.68%	5.98%	
<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%	4.45%	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 23/08/23</i>											
		Change/movement									
		2	3	4	5	6	7	8	9	10	
Treasury bonds (GIS)	Coupon	-4.40%	-4.45%	-4.60%	4.80%	0.00%	0.00%	0.00%	0.00%	0.24%	
	Weighted Average Rates	-3.93%	-4.16%	-4.49%	4.80%	0.10%	0.10%	0.07%	0.12%	0.24%	

Minimal augmentation in the FRFA Volume compared to last week. 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: 15/03/2024	Rates (%)	Bids Received
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.00%	2,057.90

Date: 08/03/2024	Rates (%)	Bids Received
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.00%	2,055.90

Date: 01/03/2024	Rates (%)	Bids Received
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.00%	1,939.00

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

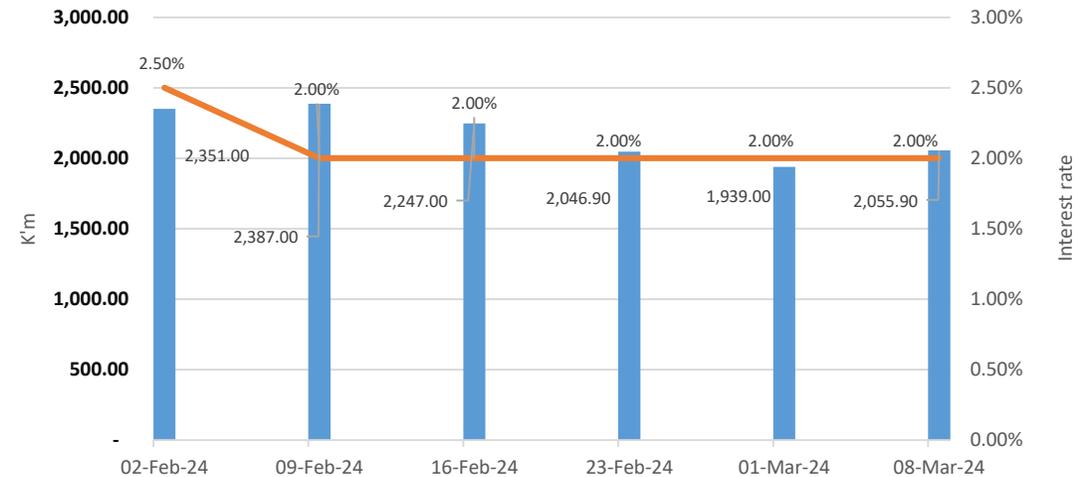
Date: 16/02/2024	Rates (%)	Bids Received
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.00%	2,247.00

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

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

Traded in 7 weeks K' m		15,084.70
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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

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

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

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

Sirak Sengin
Assistant Portfolio Analyst -Funds Management
Ph: +675 3056312
Email: SSengin@bsp.com.pg

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