

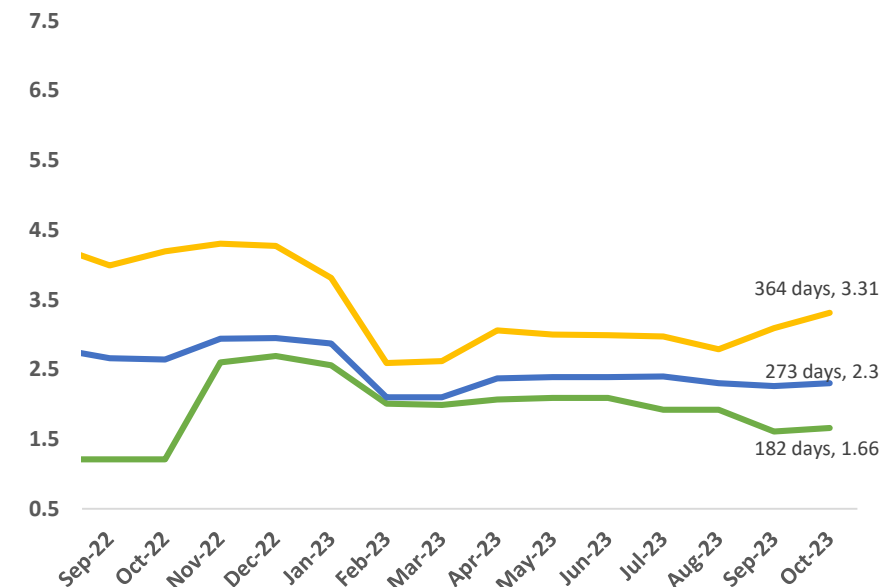
The 364 days Treasury Bill paper closed higher as BPNG continues to offer the 7-Day Fixed Rate Full Allocation (FRFA) .

- A total of K303.54m was offered in the T-bill auction this week. There was an oversubscription in the overall auction results by an aggregate amount of K51.86m.
- Rates improved across the board. The 182 days gained 3 basis points as the 273 days gained 2 basis points. The 364 days closed higher 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 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 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 2 basis point whilst the 364 days resulted in an aggregate increase of 11 basis points.

Table 1.0 – Previous auction results

Auction results 27th October 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -11/10	1.66%	2.30%	3.31%	
Amount on offer	10	20	273.54	303.54
Bids received	16	12	327.4	355.4
Successful bids	16	12	278.25	306.25
Overall-Subscription rate	6.00	- 8.00	53.86	51.86
Auction results 18th October 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -11/10	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

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

- 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 through adoption of 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.
- This week's FRFA Central Bank Bill auction allocated K1.607bn at a fixed rate of 2.00 percent.
- 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 27th 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	30	60	90	180	365	30	60	90	180	365	30	60	90	180	365
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			182	273	364			182	273	364			182	273	364
Treasury bills (W.A.R)			1.66%	2.30%	3.31%			1.63%	2.28%	3.27%	0.00%	0.00%	0.03%	0.02%	0.04%
Central Bank	7	14	28	63	91	7	14	28	63	91	7	14	28	63	91
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 & 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%

- 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

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