

## Treasury Bills rates dropped significantly as demand for short term paper remains.

- A total of K327.72m was offered for the Treasury bill auction this week in the 182, 273 and 364 days terms. A total of K267.72m was offered in the 364 days segment.
- The total subscription was K327.72m representing an oversubscription rate of 1.78x more than the issuance amount.
- The rates dropped further across the board with the 364 days closing at 2.98%, a 57% drop from beginning of the year.
- Graph 1.0 depicts movement within a 6 month period.

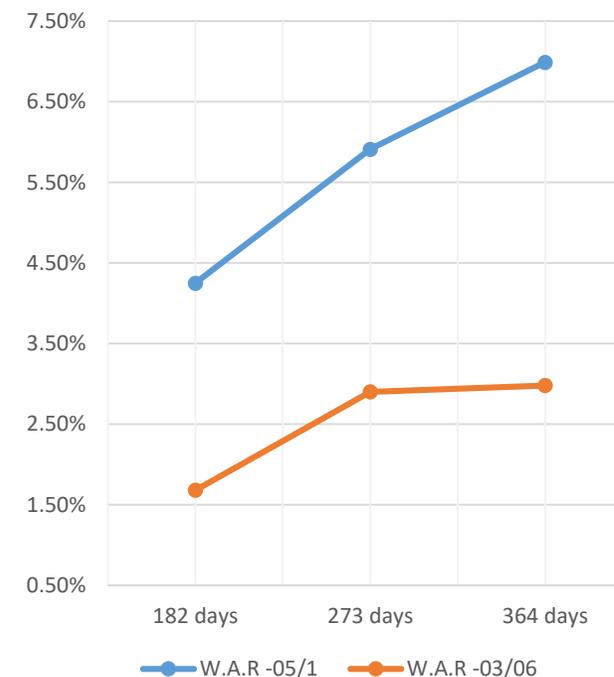
**Table 1.0 – Previous auction results**

Auction results 01 June 2022				
Terms	182 days	273 days	364 days	Total
W.A.Y -01/6	1.68%	2.90%	2.98%	
Amount on offer	20	40	267.72	327.72
Bids received	22.1	92	470.39	584.49
Successful bids	20	40	267.72	327.72
Oversubscription rate	1.11	-	1.76	1.78

Auction results 25 May 2022				
Terms	182 days	273 days	364 days	Total
W.A.Y -25/5	1.83%	3.50%	3.37%	
Amount on offer	10	0	291.15	301.15
Bids received	29.5	0	875.67	905.17
Successful bids	10	0	291.15	301.15
Oversubscription rate	2.95	-	3.01	3.01

Auction results 19 May 2022				
Terms	182 days	273 days	364 days	Total
W.A.Y -19/5	2.00%	3.50%	3.50%	
Amount on offer	40	0	202.94	242.94
Bids received	126.26	0	619.98	746.24
Successful bids	40	0	202.94	242.94
Oversubscription rate	3.16	-	3.05	3.07

**Graph 1.0 – yield curve showing movement in T-bills between Jan and early June 2022**



# Money market insight

- Term deposit rates remained steady across the board in last week's close.
- The first Treasury Bond (GIS) issuance was conducted on the 19<sup>th</sup> April 2022 with an offer of K700m. The auction was oversubscribed by K512m. Rates dropped compared to previous auction in 2021.
- The government plans to issue K1.75bn in Treasury Bonds this year 2022.
- Investors will continue to seek yield as a hedge against inflation.

**Table 2.0 – Financial institutions rates and short term government paper rates as at 03 June 2022**

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	0.10%	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%
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)	0.10%	0.15%	0.25%	0.50%	1.00%	0.10%	0.15%	0.25%	0.50%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<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)	1.00%	1.50%	2.50%	3.50%	4.60%	1.00%	1.50%	2.50%	3.50%	4.60%	0.00%	0.00%	0.00%	0.00%	0.00%
Fincorp	1.00%	1.50%	2.50%	3.50%	4.60%	1.00%	1.50%	2.50%	3.50%	4.60%	0.00%	0.00%	0.00%	0.00%	0.00%
Moniplus	1.00%	1.50%	2.50%	3.50%	3.60%	1.00%	1.50%	2.50%	3.50%	3.60%	0.00%	0.00%	0.00%	0.00%	0.00%
First Investment Finance	0.70%	1.10%	1.25%	1.80%	4.00%	0.70%	1.10%	1.25%	1.80%	4.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Government Securities</b>															
Treasury bills (W.A.R)			1.68%	2.90%	2.98%			1.83%	3.50%	3.37%	0.00%	0.00%	-0.15%	-0.60%	-0.39%
<b>Central Bank</b>															
Central Bank bills (W.A.R)	1.02%	1.66%	1.64%			1.05%	1.66%	1.72%			-0.03%	0.00%	-0.08%	0.00%	0.00%

**Table 3.0 – Long dated government paper rates – last auction results in 2022**

Issuer	Term & rates (Current)						
Term (years)	2	4	5	7	8	9	10
Treasury bonds (W.A.R)	6.50%	6.71%	7.50%	0.00%	0.00%	7.80%	7.90%
<i>Auction results from 22/04/22</i>							
Issuer	Term & rates (Previous)						
Term (years)	2	3	5	6	8	9	10
Treasury bonds (W.A.R)	8.50%	9.00%	9.70%	0.00%	9.90%	9.90%	9.90%
<i>Auction results from 28/07/21</i>							
Change/movement							
Term (years)	2	3	5	6	8	9	10
Treasury bonds (W.A.R)	-2.00%	-2.29%	-2.20%	0.00%	-9.90%	-2.10%	-2.00%

# Money market insight

- The Central Bank announced the trading for new TAP investments (BPNG Bills and Bonds) effective 2<sup>nd</sup> March, 2022. Bids will be done via e-mails and e-payment modes only.
- Tbond rates are lower compared to previous rates. The bonds are available in 2, 4, 8 & 10 years terms.
- Tbill Tap rates dropped in the rest of the terms as compared to previous rates.
- Eligible Investors can participate in the Tap Investments.

**Table 4.0 – Long dated papers-BPNG Tbill Tap and BPNG Tbond Tap as at 03 June 2022**

Issuer		Term & rates (Current)			
Term (years)		2	4	8	10
BPNG TBOND TAP		6.00%	6.21%	7.23%	7.40%
<i>Auction results from 27/05/22</i>					
Issuer		Term & rates (Previous)			
Term (years)		2	4	8	10
BPNG TBOND TAP		6.75%	8.95%	9.40%	9.40%
<i>Auction results from 13/05/22</i>					
		Change/movement			
Term (years)		2	4	8	10
BPNG TBOND TAP		-0.75%	-2.74%	-2.17%	-2.00%

Issuer		Term & rates (Current)				
Term (Days)		63	91	182	273	364
BPNG TREASURY BILL TAP		1.80%	1.83%	1.67%	3.24%	4.10%
<i>Auction results from 20/05/22</i>						
Issuer		Term & rates (Previous)				
Term (Days)		63	91	182	273	364
BPNG TREASURY BILL TAP		1.82%	1.84%	1.77%	3.40%	4.55%
<i>Auction results from 13/05/22</i>						
		Change/movement				
Term (Days)		63	91	182	273	364
BPNG TREASURY BILL TAP		-0.02%	-0.01%	-0.10%	-0.16%	-0.45%

**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)**

**Gheno Minia**

General Manager, BSP Capital

Ph: +675 309 8521

Email: [gminia@bsp.com.pg](mailto:gminia@bsp.com.pg)

**Willie Konga**

Manager, Funds Management

Ph: +675 309 8513

Email: [wkonga@bsp.com.pg](mailto:wkonga@bsp.com.pg)

**Phoebe Endose**

Senior Portfolio Analyst

Ph: +675 309 8505

Email: [pendose@bsp.com.pg](mailto:pendose@bsp.com.pg)

**Marie Sourimant**

Senior Portfolio Analyst

Ph: +675 309 8530

Email: [msourimant@bsp.com.pg](mailto:msourimant@bsp.com.pg)

**Michelle Koredong**

Investment Analyst – Money markets

Ph: +675 309 8507

Email: [mkoredong@bsp.com.pg](mailto:mkoredong@bsp.com.pg)

**Abigail Pepson**

Senior Portfolio Analyst

Ph: +675 305 6149

Email: [apepson2@bsp.com.pg](mailto:apepson2@bsp.com.pg)

## Disclaimer

This Research comprises general market information and does not take account of your objectives, financial situation or needs. Before acting on this general advice, you should consider the appropriateness of the advice having regard to your situation. We recommend you obtain financial, legal and taxation advice before making any financial investment decision. This information has been prepared for the use of the clients of the BSP Capital Limited (BSPCL) and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient, you must not use or disclose this research in any way. If you received it in error, please tell us immediately by return e-mail and delete the document. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person. Nothing in this report shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any transaction. This report is based on information obtained from sources believed to be reliable, but BSPCL does not make any representation or warranty that it is accurate, complete or up to date. We accept no obligation to correct or update the information or opinions in it. Opinions expressed are subject to change without notice. The BSPCL accepts no liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. BSP Capital Limited produces a variety of research products, recommendations contained in one type of research product may differ from recommendations contained in other types of research. BSPCL has established and implemented a conflicts policy at group level, which may be revised and updated from time to time, pursuant to regulatory requirements; which sets out how we must seek to identify and manage all material conflicts of interest. BSP Capital Limited, its officers and employees may have conflicting roles in the financial products referred to in this research and, as such, may effect transactions which are not consistent with the recommendations (if any) in this research. BSP Capital Limited may receive fees, brokerage or commissions for acting in those capacities and the reader should assume that this is the case. BSP Capital Limited employees or officers may provide oral or written opinions to its clients which are contrary to the opinions expressed in this report.