

Treasury Bills (T-Bills) Results

“364 Days Tenor trading another high in 4 weeks’, as Investors seek short term tenors’.

- T-Bills are short term debt strategy of government.
- Another high W.A.Rs¹ recorded across all three tenors, where 182, 273 and 364 days tenors closed this week’s trading at 3.18% (up 18 bps²), 2.74% (up 10 bps) and 4.61% (up 26 bps) respectively.
- After resuming trading from an absent last week, the 182 days tenor joined both the 273 and 364 days tenor reporting 100% successful bid rate³ this week.
- Interestingly, the results continue to be mixed despite the upside in interest rates, with the shorter term 182 days tenor having a higher W.A.R than the longer term 273 days tenor for the fourth consecutive trading in a row. Investor appetite was in the shorter term whilst the longer dated 364 tenor did not find favour.
- The market is positioned to continue accommodating rising W.A.Rs for all three tenors as the three recent auctions reported an overall undersubscription sum of K375.300m, indicating net loss by the Central Bank to raise adequate capital.
- In the last three auctions, total maturities was K553.300m, total successful bids received was K378.060m and total offering was K753.3m. Less than 50% of the maturities were reinvested despite the excessive offering in the three week period, and the upside on the W.A.R.

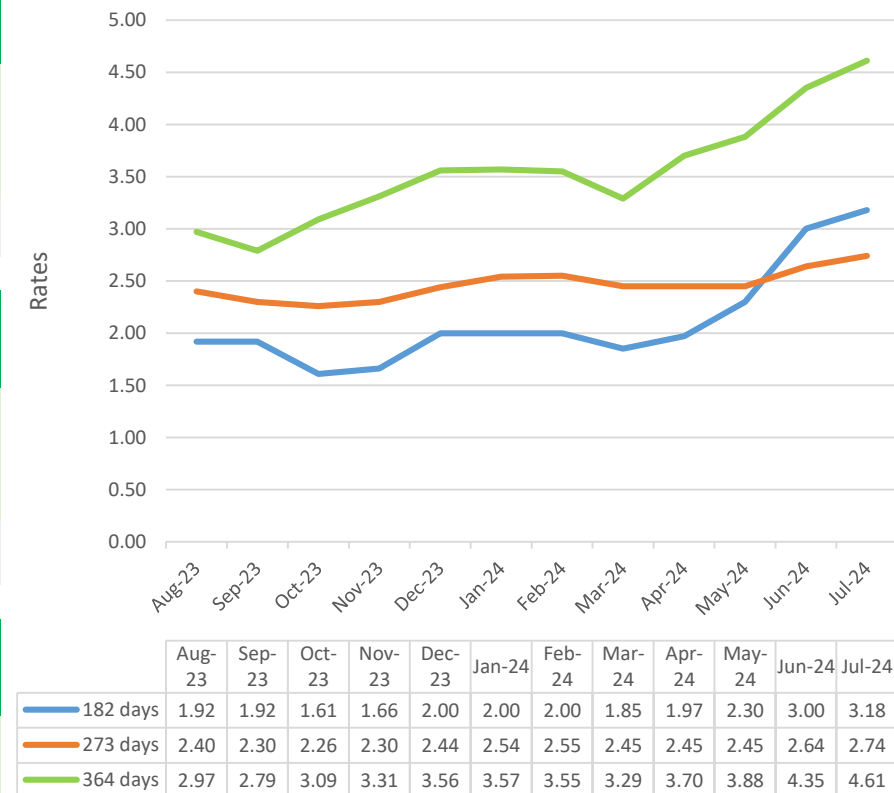
Table 1 – Last Three Auction Results

Auction Results 05 July 2024				
Terms	182 days	273 days	364 days	Total
W.A.R	3.18%	2.74%	4.61%	
Amount on offer (K'm)	10.000	10.000	266.500	286.500
Bids received (K'm)	15.000	13.000	97.300	125.300
Successful bids (K'm)	15.000	13.000	97.300	125.300
Successful bid rate ³	100%	100%	100%	100%

Auction Results 28 June 2024				
Terms	182 days	273 days	364 days	Total
W.A.R	3.00%	2.64%	4.35%	
Amount on offer (K'm)	0.000	30.000	146.800	300.000
Bids received (K'm)	0.00	4.120	130.690	106.920
Successful bids (K'm)	0.00	4.120	130.690	106.920
Successful bid rate	-	100%	100%	100%

Auction Results 21 June 2024				
Terms	182 days	273 days	364 days	Total
W.A.R	3.00%	2.52%	4.16%	
Amount on offer (K'm)	10.000	10.000	146.800	166.800
Bids received (K'm)	11.150	4.000	130.690	145.840
Successful bids(K'm)	11.150	4.000	130.690	145.840
Successful bid rate	100%	100%	100%	100%

Graph 1.0 W.A.R Results at Last Auction of Each Month



¹ W.A.R = Weighted Average Rate

² Basis points; 100 bps = 1%

³ Successful bid rate = Successful bid / Bids received

Treasury Bonds (Government Inscribed Stock)

- Government Inscribed Stocks (GIS) are long term debt strategy utilized by the government to finance deficit budget – The tentative GIS issuance date for 2024 is given on Table 2.
- June’s auction result came undersubscribed by K369.500m, the fourth undersubscription in a row of the year.
- The result is the highest undersubscription of the year and brings the total successful bids awarded to date to only K2.6695b, exactly K969.5m less than the total amount on offer in all five (5) GIS auctions this year.
- In contrast to May’s GIS auction, investors showed significantly reduced to nil appetite on 5, 6, 7, 8, 9 and 10 year bonds in this month’s results, while full allocations (or 100% successful bid rate) have been made on those limited bids received under each tenor.
- The predominant undersubscriptions throughout the year stemming from lack of demand in bonds have led to net capital loss by the issuer (Central Bank), providing a stimuli for rising W.A.Rs in coming auctions to lure investors.
- The next GIS auction is tentatively scheduled for Tuesday, 23rd July 2024.

Table 2 – Domestic Issuance Calendar (GIS)

2024 Treasury Bond Tentative Issuance Schedule	
Tentative Issuance Date	Tentative Issuance Amount (K'm)
Tuesday 27 February	800.00
Tuesday 19 March	800.00
Tuesday 23 April	700.00
Tuesday 21 May	600.00
Tuesday 18 June	500.00
Tuesday 23 July	300.00
Tuesday 20 August	200.00
Tuesday 17 September	150.00
Tuesday 22 November	150.00
Tuesday 19 November	100.90
	4,300.90

Table 3 – 2024 GIS Auction Results & Change in Rates

Auction results from 18 June 2024										
Issuer		Term & rates (Current)								
Term (years)		2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)	Coupon	4.40%	4.60%	0.00%	4.70%	5.10%	5.40%	5.50%	5.70%	5.90%
	Weighted Average Rates	4.93%	5.96%	0.00%	0.00%	5.20%	0.00%	5.57%	5.79%	5.94%
Auction results from 14 May 2024										
Issuer		Term & rates (Previous)								
Term (years)		2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)	Coupon	4.30%	4.50%	0.00%	4.70%	5.10%	5.40%	5.50%	5.70%	5.90%
	Weighted Average Rates	4.48%	4.51%	0.00%	4.69%	5.16%	5.49%	5.51%	5.75%	5.98%
Change in Results										
		Change/movement								
Term (years)		2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)	Coupon	0.10%	0.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Weighted Average Rates	0.45%	1.45	0.00	-4.69%	0.04%	-4.49%	0.06%	0.04%	-0.04%

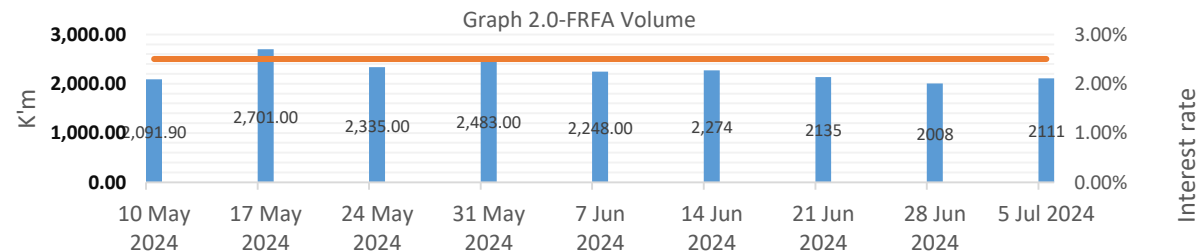
Fix Rate Full Allotment Auction (FRFA) & Financial Institution Term Deposit Rates

- Term deposit rates for all tenors remained unchanged for almost all issuers – refer Table 4.
- 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. The introduction of 7-Day FRFA Central Bank Bill (CBB) exclusively to authorized deposit takers (ADI) in commercial banks, savings & loans societies and & finance companies is an example.
- The CBB rate remained unchanged at 2.50% for the first trading of July this week.
- Full allocation was made on K2.111b total bids received in this week's auction.
- With K2.008b total CBB maturing this week, there is a net gain of K0.103b (or K2.111b – K2.008b) by Central Bank to mop up access liquidity in the market.
- July's CBB W.A.R is subject change pending announcement of Kina Facility Rate (KFR) by the Central Bank.

Table 4 – Financial Institutions Term Deposit Rates

Issuer	Current Term & Rates					Previous Term & Rates					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	0.20%	0.45%	0.60%	0.70%	0.90%	0.20%	0.45%	0.60%	0.70%	0.90%	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%
ADI															
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	1.00%	1.20%	1.30%	1.40%	2.40%	1.00%	1.20%	1.30%	1.40%	2.40%	0.00%	0.00%	0.00%	0.00%	0.00%
Government Securities															
Treasury bills (W.A.R)			182	273	364			182	273	364	0.00%	0.00%	0.18%	0.10%	0.26%
			3.18%	2.74%	4.61%			3.00%	2.64%	4.35%					
Central Bank															
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%
	7	14	28	63	91	7	14	28	63	91	7	14	28	63	91

Graph 2 – FRFA Rates & Volume



Fix Rate Full Allotment Auction (FRFA) & Financial Institution Term Deposit Rates

- The T-bill Tap and T-bond Tap papers remain temporarily closed until further notice.

Table 5 - Long dated papers T-Bill Tap and GIS Tap as at June 2023

Issuer		Term & rates (Current)				
Term (Years)		2	4	8	10	
BPNG Treasury Bond Tap		CLOSED UNTIL FURTHER NOTICE				

Issuer		Term & rates (Previous)				
Term (Days)		63	91	182	273	364
BPNG Treasury Bill Tap		CLOSED UNTIL FURTHER NOTICE				

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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