

Treasury Bills (T-Bills) Results

- T-Bills are short term debt strategy of the government.
- The T-Bill market beats expectation of a cooling week in light of May's Government Treasury Bond auction, closing higher in the W.A.R¹, indicating investors' preference for short term papers over long term bonds.
- The 182 and 364 day tenors' increased by 1 and 3 bps² to close at 2.29% and 3.84% respectively. The rates are at the highest compared to the last eleven months results.
- In its first trading after 4 weeks, the 273 days tenor was over-subscribed by K2.000m from a total offering of K10:000m, leading to a successful bid rate³ of 83% under the tenor. Its W.A.R however, remained unchanged at 2.45%.
- The week's overall auction was over-subscribed by K62.660m, its third in a row, with the majority of the over-subscription came from the 364 days tenor.
- Actual versus budget wise, the number of successful T-Bill bids to date is K176.030m less than the budget, highlighting the potential for the market to entertain slightly higher bids in forthcoming auctions to get back on track with the budget.

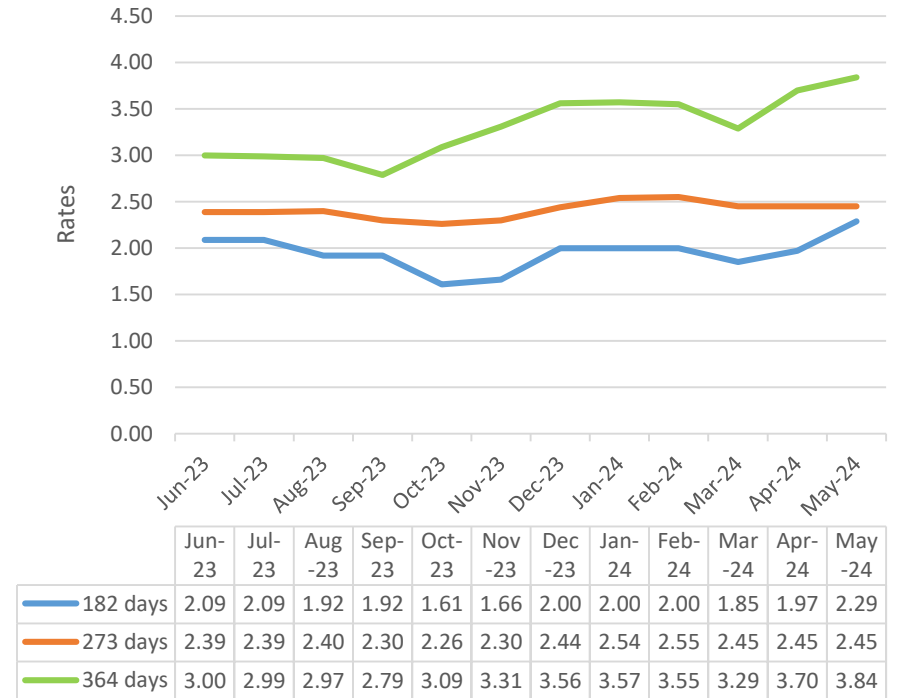
Table 1 – Last Three Auction Results

Auction Results 17 May 2024				
Terms	182 days	273 days	364 days	Total
W.A.R	2.29%	2.45%	3.84%	
Amount on offer (K'm)	10.000	10.000	230.000	185.300
Bids received (K'm)	9.000	12.000	291.660	242.010
Successful bids (K'm)	9.000	10.000	236.660	198.010
Successful bid rate ³	100%	83%	81%	82%

Auction Results 10 May 2024				
Terms	182 days	273 days	364 days	Total
W.A.R	2.28%	2.45%	3.81%	
Amount on offer (K'm)	10.000	0.000	175.300	185.300
Bids received (K'm)	20.000	0.000	222.010	242.010
Successful bids (K'm)	20.000	0.000	178.010	198.010
Successful bid rate	90%	-	80%	82%

Auction Results 03 May 2024				
Terms	182 days	273 days	364 days	Total
W.A.R	2.18%	2.45%	3.77%	
Amount on offer (K'm)	10.000	0.000	171.680	181.680
Bids received (K'm)	21.000	0.000	180.800	201.800
Successful bids(K'm)	19.000	0.000	111.610	130.610
Successful bid rate	90%	-	62%	65%

Graph 1.0-Yield Curve (%) showing movement in the 182, 273 & 364 days T-Bills over 12 month period.



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 a long term debt strategy utilized by the government to finance the deficit budget – The tentative GIS issuance date for 2024 is given in Table 2.
- May's GIS auction result was undersubscribed by K87.540m, making it the third consecutive undersubscription in a row from 4 auctions this year.
- As anticipated, W.A.R for all tenors increased compared to that of previous corresponding periods except for the 5-year tenor; +0.18, +0.05%, -0.01%, +0.07%, +0.09%, +0.01%, 0.05% and +0.07% are W.A.R changes for 2, 3, 5, 6, 7, 8, 9 and 10 year tenors respectively.
- This month's undersubscription brings the net undersubscription value for all four GIS auctions to K360.040m from the total of K2.900b offered, signaling once again for the market to move towards higher rates in forthcoming monthly auctions to offset the losses.
- The next GIS issuance is tentatively scheduled for 18th June 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 14 May 2024										
Issuer		Term & rates (Current)								
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%

Auction results from 23 April 2024										
Issuer		Term & rates (Previous)								
Term (years)		2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)	Coupon	4.30%	4.40%	0.00%	4.70%	5.00%	5.30%	5.40%	5.60%	5.80%
	Weighted Average Rates	4.30%	4.46%	0.00%	4.70%	5.09%	5.40%	5.50%	5.70%	5.91%

Change in Results										
		Change/movement								
Term (years)		2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)	Coupon	0.00%	0.10%	0.00%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
	Weighted Average Rates	0.18%	0.05%	0.00%	-0.01%	0.07%	0.09%	0.01%	0.05%	0.07%

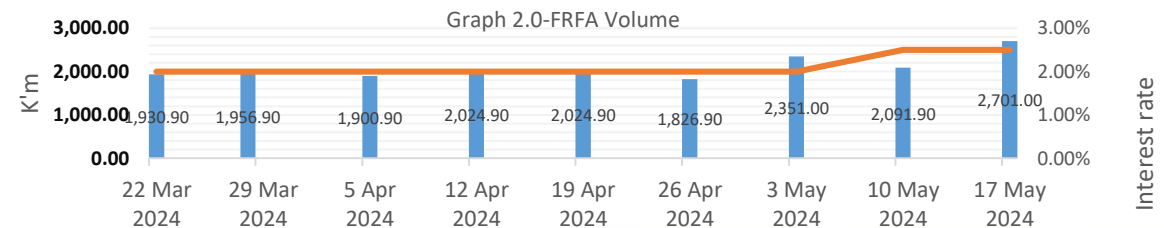
Fix Rate Full Allotment Auction (FRFA) & Financial Institution Term Deposit Rates

- 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 (CBB) and is exclusive to authorized deposit takers, such as commercial banks, Savings & Loans Societies and Finance Companies.
- This week's FRFA rate remained unchanged at 2.50%.
- The total FRFA bids received for the week equaled K2.701b, with full allocation made on all bids received.
- Total FRFA maturing for the week is K2.092b - about 29% less than total bids awarded, indicating a net weekly gain by the Central Bank to mop up excess liquidity.

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	0.25%	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%
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	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)			2.29%	2.45%	3.84%			2.28%	2.45%	3.81%	0.00%	0.00%	0.01%	0.00%	0.03%
Central Bank															
Central Bank bills (W.A.R)	2.50%	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%

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

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: +675 309 8530

Email: SSengin@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.