

Treasury Bills (T-Bills) Results

- T-Bills are short term debt strategy of government.
- New highest W.A.Rs¹ of the year were recorded in this week's auction under 182 and 364 day tenors respectively – 182 days = 3.00% and 364 days = 4.16%. The 364 days W.A.R is the highest since 13th January 2023. The current rates are 20 and 12 bps² higher week-by-week respectively.
- Giving rise to the W.A.Rs of the week is the market's *successful bid rate*³ of 100% reported under the 182 and 364 day tenors respectively, indicating the need for the market to raise enough capital where necessary to offset maturities for the week hence accepting marginally higher bids – exactly K166.800m in total maturities for this week.
- In support of the aforementioned, the market accepted all K4.000m bids received under the 273 days paper in a complete twist from last week's auction where it did not match and rejected all K15.000m bids received under the tenor.
- Despite recording 100% *successful bid rate*³ across all three tenors, the overall market was undersubscribed by K20.960m this week. Noting that maturities for the week is equal to total amount on offer at K166.800m, likely reason for this overall undersubscription is the lack of investor appetite to reinvest all maturities back into the market.
- The above undersubscription by the market implies net loss by the Central Bank in raising capital and thus signals for further rate increases to attract investors.

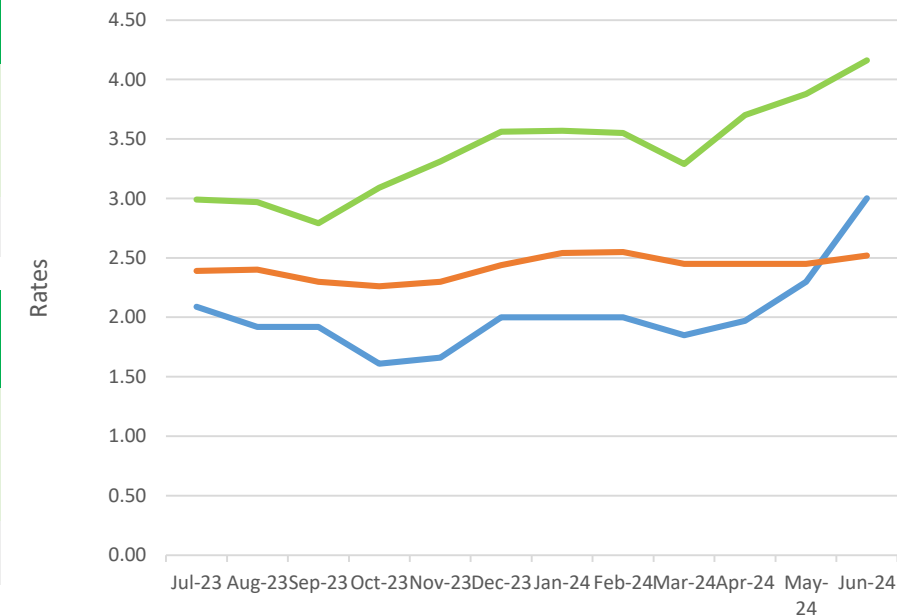
Table 1 – Last Three Auction Results

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 ³	100%	100%	100%	100%

Auction Results 14 June 2024				
Terms	182 days	273 days	364 days	Total
W.A.R	2.80%	2.52%	4.04%	
Amount on offer (K'm)	15.000	15.000	245.000	275.000
Bids received (K'm)	30.000	15.000	230.200	275.200
Successful bids (K'm)	30.000	0.000	225.200	255.200
Successful bid rate	100%	-	98%	93%

Auction Results 07 June 2024				
Terms	182 days	273 days	364 days	Total
W.A.R	2.52%	2.52%	3.97%	
Amount on offer (K'm)	10.000	10.000	230.000	250.000
Bids received (K'm)	10.200	10.000	372.580	392.780
Successful bids(K'm)	10.200	10.000	357.580	377.780
Successful bid rate	100%	100%	96%	96%

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



	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
182 days	2.09	1.92	1.92	1.61	1.66	2.00	2.00	2.00	1.85	1.97	2.30	3.00
273 days	2.39	2.40	2.30	2.26	2.30	2.44	2.54	2.55	2.45	2.45	2.45	2.52
364 days	2.99	2.97	2.79	3.09	3.31	3.56	3.57	3.55	3.29	3.70	3.88	4.16

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 biggest 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 for 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*³) have been realized on those limited bids made under each tenors.
- The predominant undersubscriptions throughout the year leading to under-budget and also with current lack of demand on 5, 6, 7, 8, 9 and 10 year bonds has likely conditioned the market already to accept higher bids in coming auctions in order to get back on track, fuelling potential future rise in W.A.Rs.
- The next GIS auction is 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%

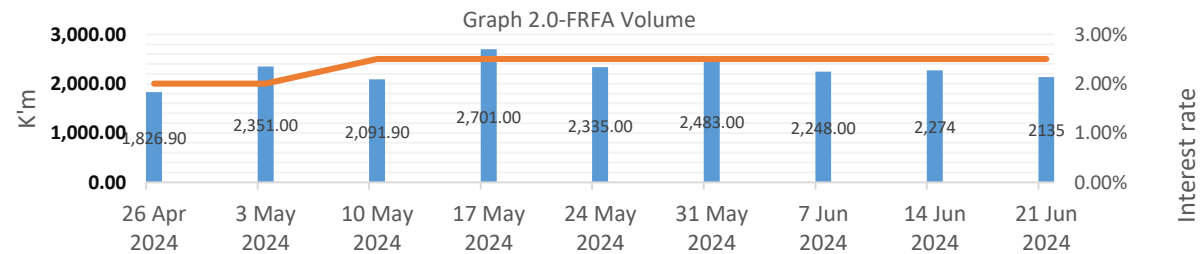
Fix Rate Full Allotment Auction (FRFA) & Financial Institution Term Deposit Rates

- 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.
- This week's CBB rate remained unchanged at 2.50% following the announcement of June's KFR of by Central Bank.
- Full allocation was made on K2.135b total bids received in this week's auction. With K2.274b total CBB maturing this week, the net loss by Central Bank to mop up access liquidity is K139.000m (or K2.135b – K2.274b).

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%	0.20%	0.00%	0.12%
			3.00%	2.52%	4.16%			2.80%	2.52%	4.04%					
Central Bank															
Central Bank bills (W.A.R)	7	14	28	63	91	7	14	28	63	91	0.00%	0.00%	0.00%	0.00%	0.00%
	2.50%	0.00%	0.00%	0.00%	0.00%	2.50%	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

Head of BSP Capital

Ph: +675 309 8505

Email: pendose@bsp.com.pg

Michelle Koredong

Senior Portfolio Manager – Retail

Ph: +675 309 8507

Email: mkoredong@bsp.com.pg

Darren Terupo

Portfolio Manager - Wholesale

Ph: +675 309 8531

Email: DTerupo@bsp.com.pg

Abigail Pepson

Senior Portfolio Manager - Wholesale

Ph: +675 305 6149

Email: apepson2@bsp.com.pg

Sirak Sengin

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.