

Treasury Bills (T-Bills) Results

'High demand in two shorter tenors; 364 day's W.A.R¹ surged to 7.49%.

- T-Bills are short term debt strategy of the government.

- The demand for the 273-days tenor nearly doubled with bids received K12.000m higher than the offered amount in the week. The 182-days tenor experienced a similar sentiment. Both tenors however recorded 100% *successful bid rate*² despite the oversubscriptions.

- All three tenors on auction this week i.e., 182, 273 and 364 days saw improved W.A.Rs for 7 weeks in a row, to new yearly highs at 5.58% (up 10 bps³), 5.99% (up 9 bps) and 7.49% (up 18 bps) respectively.

- W.A.Rs are expected to trend higher in the face of tightening monetary policy stance, devaluation of Kina against USD and the increasing appetite of the Government to raise additional working capital as and when necessary, to fund its annual budget.

- The Central Bank will marginally expand its acceptable bid range for the respective tenors on trading as a result of rising W.A.Rs pressure however it will not tolerate any excessive bids that fall outside the range that may distort the market, as seen all throughout.

- After this week's auction, the total successful bids awarded Year to Date is less by K703.170m compared to the total amount offered.

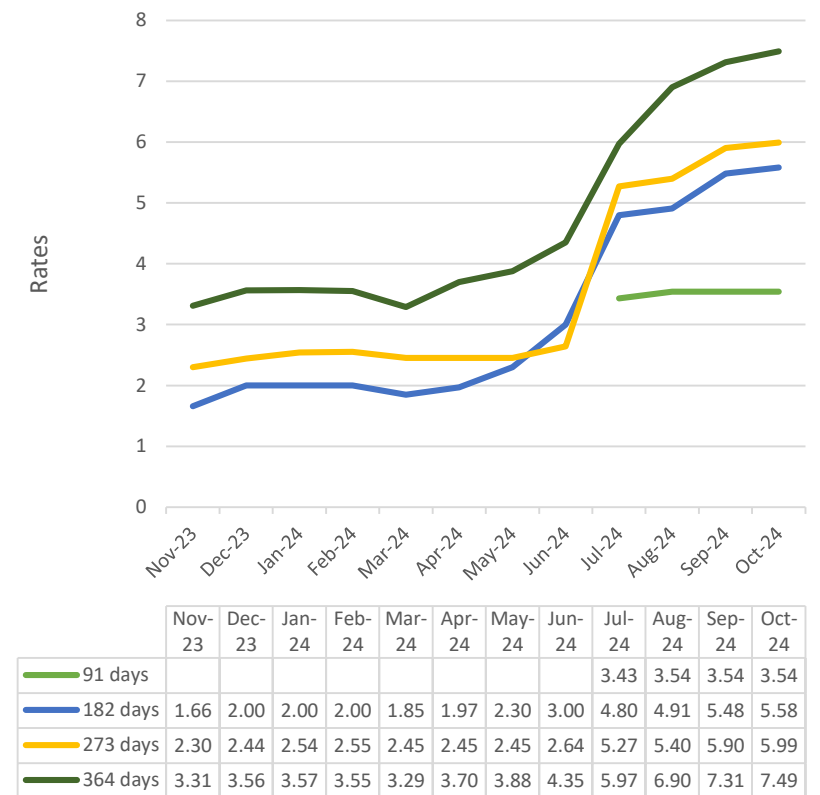
Table 1 – Last Three Auction Results

Auction Results 04 October 2024					
Terms	91 days	182 days	273 days	364 days	Total
W.A.R ¹	3.54%	5.58%	5.99%	7.49%	
Amount on offer (K'm)	0.000	10.000	30.000	274.500	294.500
Bids received (K'm)	0.000	20.100	42.000	256.7000	318.800
Successful bids (K'm)	0.000	20.100	42.000	231.700	293.800
Successful bid rate ²	-	100%	100%	90%	92%

Auction Results 27 September 2024					
Terms	91 days	182 days	273 days	364 days	Total
W.A.R ¹	3.54%	5.48%	5.90%	7.31%	
Amount on offer (K'm)	0.000	10.000	30.000	269.730	309.730
Bids received (K'm)	0.000	4.520	10.000	265.800	280.320
Successful bids (K'm)	0.000	4.520	10.000	265.800	280.320
Successful bid rate	-	100%	100%	100%	100%

Auction Results 20 September 2024					
Terms	91 days	182 days	273 days	364 days	Total
W.A.R ¹	3.54%	5.30%	5.86%	7.22%	
Amount on offer (K'm)	0.000	30.000	20.000	233.050	283.050
Bids received (K'm)	0.000	44.000	45.000	262.170	351.170
Successful bids (K'm)	0.000	44.000	45.000	217.170	306.170
Successful bid rate	-	100%	100%	83%	87%

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



¹ W.A.R = Weighted Average Rate

² Successful bid rate = Successful bids / Bids received

³ Basis Points; 100 bps = 1%

Treasury Bonds (Government Inscribed Stock - GIS)
'October GIS Invitations released; K180.000m on offer'.

- 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.
- Without being initially scheduled, this month however will have an auction conducted with invitations released today by the Central Bank. A total of K180.000m is put on offer for this months auction across 5, 6, 7, 8, 9 and 10 year tenors – refer invitations for details.
- This months auction will be conducted on Tuesday, 28th October 2024.
- The September's GIS auction had a *successful bid rate* of 62% were only K135.000m bids were awarded from K217.000m in total received. This indicates that the market will not tolerate excessive bids even if it is starving for more.
- Last month's auction results bring the total amount of successful GIS bids awarded to date being less by K2.052b compared to total amount offered to date.

Table 2 – Domestic Issuance Calendar (GIS)

2024 Treasury Bond Tentative Issuance Schedule	
Tentative Issuance Date	Tentative Issuance Amount (K'm)
Tuesday 27 February	800.000
Tuesday 19 March	800.000
Tuesday 23 April	700.000
Tuesday 21 May	600.000
Tuesday 18 June	500.000
Tuesday 23 July	400.000
Tuesday 13 August	400.000
Tuesday 24th September	800.000
October	180.000
Tuesday 22 November	150.000
Tuesday 19 November	100.900
	5,430.900

Table 3 – 2024 GIS Auction Results & Change in Rates

Auction results from 24 September 2024										
Issuer	Term & rates (Current)									
Term (years)	2	3	4	5	6	7	8	9	10	
Treasury bonds (GIS)	Coupon	7.50%	7.70%	-	8.00%	8.10%	8.30%	8.50%	8.70%	8.90%
	Weighted Average Rates	8.00%	8.50%	-	5.70%	0.00%	0.00%	8.50%	8.70%	8.90%

Auction results from 16 July 2024										
Issuer	Term & rates (Current)									
Term (years)	2	3	4	5	6	7	8	9	10	
Treasury bonds (GIS)	Coupon	-	-	-	5.70%	6.10%	6.40%	6.50%	6.70%	6.90%
	Weighted Average Rates	-	-	-	5.70%	0.00%	0.00%	0.00%	0.00%	6.08%

Change in Results										
Change/movement										
Term (years)	2	3	4	5	6	7	8	9	10	
Treasury bonds (GIS)	Coupon	7.50%	7.70%	-	2.30%	2.00%	1.90%	2.00%	2.00%	3.00%
	Weighted Average Rates	8.00%	8.50%	-	0.00%	0.00%	0.00%	8.50%	8.70%	2.82%

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

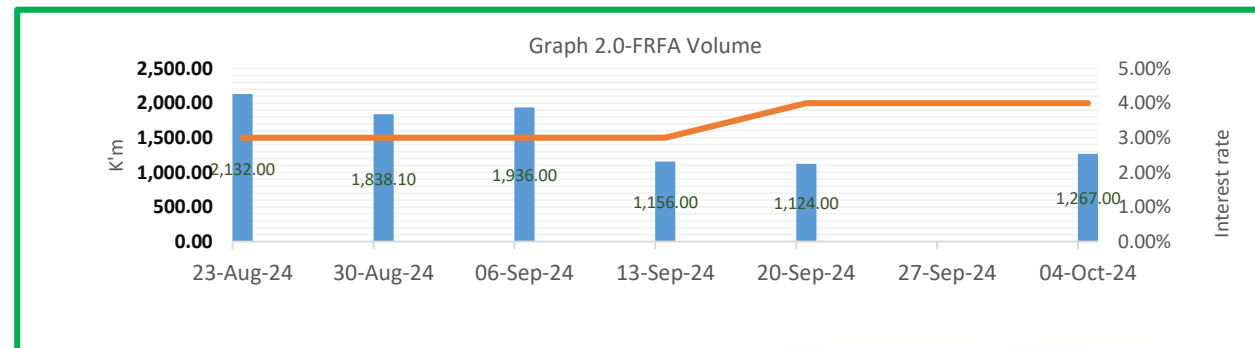
'7-Day FRFA CBB W.A.R remain unchanged at 4%'

- Term deposit rates for all tenors remained unchanged for all issuers except for Westpac– 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 W.A.R remained unchanged 100 bps to 4% in this auction following the publication of the rate by the Central Bank on its website this week.
- A total K1,267.000m was fully allocated for this week.
- NB: FRFA results for September 27 when received from the Central Bank will be incorporated into Graph 2.0

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	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CreditBank 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%
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%
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	0.90%	1.20%	1.50%	2.15%	2.45%	0.90%	1.20%	1.50%	2.15%	2.45%	0.00%	0.00%	0.00%	0.00%	0.00%
First Investment Finance	1.00%	1.20%	1.60%	2.20%	2.50%	1.00%	1.20%	1.60%	2.20%	2.50%	0.00%	0.00%	0.00%	0.00%	0.00%
Government Securities															
Treasury bills (W.A.R)		91	182	273	364		91	182	273	364		91	182	273	364
		-	5.58%	5.99%	7.49%		-	5.48%	5.90%	7.31%		-	0.10%	0.09%	0.18%
Central Bank															
Central Bank bills (W.A.R)	4.00%	-	-	-	-	4.00%	-	-	-	-	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.