

## Treasury Bills (T-Bills) Results

**'Second successive week of new yearly high W.A.Rs<sup>1</sup>'.**

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

- For the second successive week in a row, all three tenors on auction realized new yearly highs. The 182 days jumped 9 bps<sup>2</sup> to 4.91%, 273 days locked in at 5.40% (up 5 bps) and 364 days climbed 17 bps to 6.90%.

- Notably, the 364 days' current W.A.R is 377 and 411 bps higher compared to its own record six and 12 months ago, respectively.

- Despite the *successful bid rate*<sup>3</sup> plummeted to 75% in this week T-bills auction compared to 99-100% last week, each tenor in this week's auction received bids well over their respective amount on offer, signaling strong demand in the market and an opportunity for the Central Bank to trim down on any excessive bids – about K188.090m was oversubscribed. As a result, the Central Bank exercised its authority and rejected K96.000m bids (deemed excessive) from K444.090m in total bids received, awarding only K348.090m in total.

- The K348.090m total bids awarded is K152.090m above the total offering for the week, echoing Central Bank's appetite to accept bids above its offerings where necessary to make up for predominant capital raising losses faced throughout the year.

- With successful bids awarded to date being less by K710.020m compared to the total amount offered to date compounded with Tbond auction cancelation last fortnight, are likely to drive the W.A.Rs further up in the coming auctions as seen in the auction results for last week and this week.

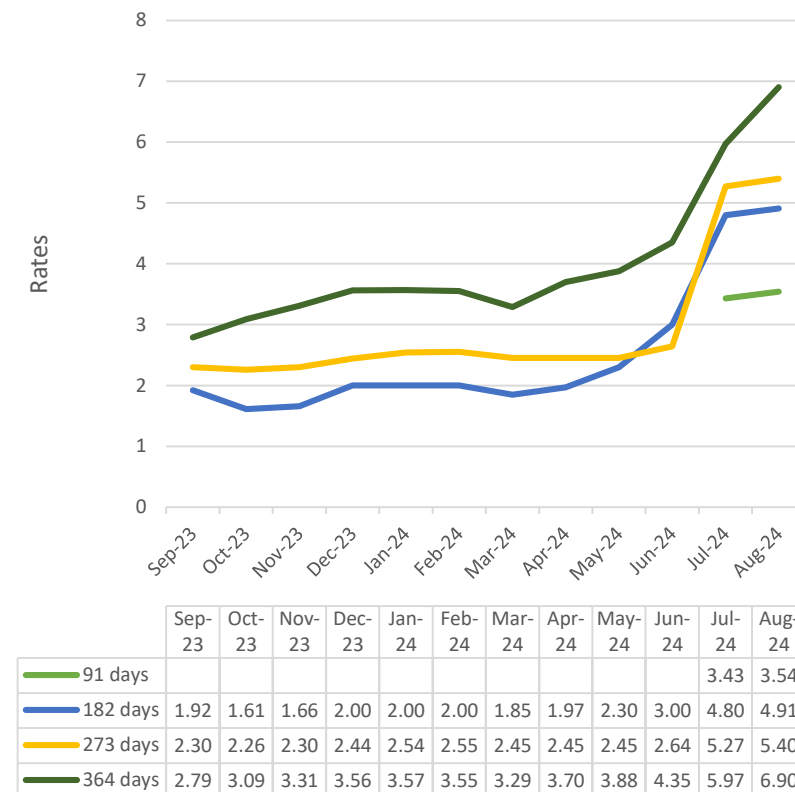
**Table 1 – Last Three Auction Results**

Auction Results 30 August 2024					
Terms	91 days	182 days	273 days	364 days	Total
W.A.R <sup>1</sup>	3.54%	4.91%	5.40%	6.90%	
Amount on offer (K'm)	0.000	50.000	10.000	196.000	256.000
Bids received (K'm)	0.000	75.000	23.000	346.090	444.090
Successful bids (K'm)	0.000	68.000	20.000	260.090	348.090
Successful bid rate <sup>3</sup>	-	91%	87%	75%	78%

Auction Results 23 August 2024					
Terms	91 days	182 days	273 days	364 days	Total
W.A.R <sup>1</sup>	3.54%	4.82%	5.35%	6.73%	
Amount on offer (K'm)	0.000	80.000	20.000	275.100	375.100
Bids received (K'm)	0.000	84.000	10.000	206.900	300.900
Successful bids (K'm)	0.000	84.000	10.000	205.900	299.900
Successful bid rate	-	100%	100%	99%	99%

Auction Results 16 August 2024					
Terms	91 days	182 days	273 days	364 days	Total
W.A.R	3.54%	4.80%	5.27%	6.54%	
Amount on offer (K'm)	20.000	40.000	30.000	206.000	296.000
Bids received (K'm)	5.000	42.000	0.000	242.750	289.750
Successful bids (K'm)	5.000	22.000	0.000	172.750	199.750
Successful bid rate	100%	52%	-	71%	69%

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



<sup>1</sup> W.A.R = Weighted Average Rate

<sup>2</sup> Basis points; 100 bps = 1%

<sup>3</sup> Successful bid rate = Successful bids / Bids received

**Treasury Bonds (Government Inscribed Stock - GIS)**  
*'GIS auction cancelled for this month'*

- 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.
- In a less likely scenario, August's GIS auction scheduled for Tuesday 13<sup>th</sup> has been cancelled by the Treasury Department. Further details on the cancellation will be published once received from the Department.
- Only three GIS auctions remain to complete the year as listed on the Domestic Issuance Calendar (Table 2). Any changes to the planned auctions will be communicated accordingly.
- The predominant undersubscription of T-Bonds throughout the year stemming from lack of bond demand has led to total successful bids awarded to date being less by K1.387b compared to total amount offered to date.
- Soaring W.A.Rs realized in the T-Bills market as a result of Central Bank's tightening monetary policy stance (high Central Bank Bill Rate and Cash Reserve Ratio) is expected to have a corresponding impact on T-Bonds yields, interest rates or price in the coming auctions.

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 17 September	150.000
Tuesday 22 November	150.000
Tuesday 19 November	100.900
	<b>4,600.900</b>

Table 3 – 2024 GIS Auction Results & Change in Rates

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%

Auction results from 18 June 2024										
Issuer		Term & rates (Previous)								
Term (years)		2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)	Coupon	4.40%	4.60%	-	4.70%	5.10%	5.40%	5.50%	5.70%	5.90%
	Weighted Average Rates	4.93%	5.96%	-	4.69%	5.20%	5.49%	5.57%	5.79%	5.94%

Change in Results										
		Change/movement								
Term (years)		2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)	Coupon	-	-	-	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
	Weighted Average Rates	-	-	-	1.01%	-	-	-	-	0.14%

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

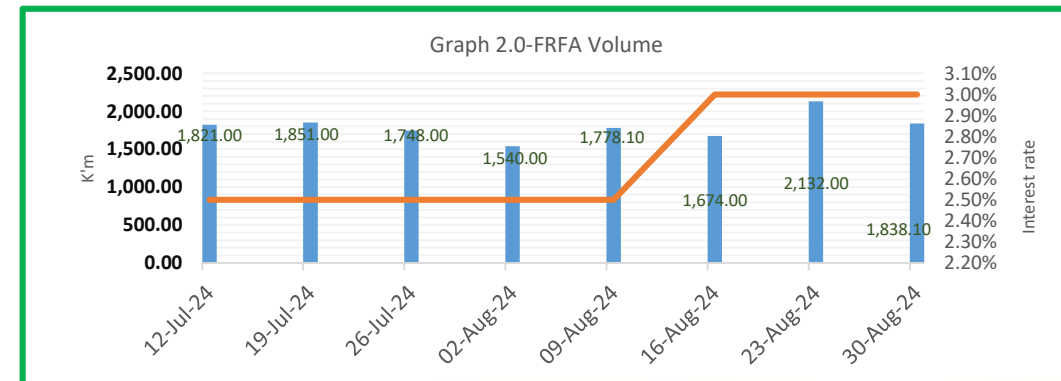
**'CBB W.A.R remain unchanged at 3% for second time'**

- Term deposit rates for all tenors remained unchanged for 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 the 7-Day FRFA Central Bank Bill (CBB) exclusive to authorized deposit takers (ADI) in commercial banks, savings & loans societies and finance companies is a relevant example.
- Consistent with the announcement in the March 2024 Monetary Policy Statement, the Bank continues to maintain its tightening monetary policy stance due to expectations of inflationary pressure arising from the adjustment of the Kina exchange rate to allow for more exchange rate flexibility. For this month (August), the Bank of Papua New Guinea has increased the Kina Facility Rate (KFR) by 50 basis points to 3.00 percent from 2.50 percent previously.
- The CBB rate remain unchanged at 3% for this week's trading.
- Full allocation was made on K1,838.1m for total bids received this week.
- With K2,132.0m total CBB maturing this week, there is a net loss of K293.9m (or K1,838.1m - K2,132.0m) by Central Bank to mop up access liquidity in the market.
- CBB rate for September's auction will be published next week by the Central Bank, but the chances are that it will remain firm at 3.00%.

Table 4 – Financial Institutions Term Deposit Rates

	Current Term & Rates					Previous Term & Rates					Change/movement				
	30	60	90	180	365	30	60	90	180	365	30	60	90	180	365
<b>Commercial banks</b>															
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%
<b>ADI</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)	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	0.90%	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%
<b>Government Securities</b>															
Treasury bills (W.A.R)															
		91	182	273	364		91	182	273	364		91	182	273	364
		-	4.91%	5.40%	6.90%		-	4.82%	5.35%	6.73%		-	0.09%	0.05%	0.17%
<b>Central Bank</b>															
Central Bank bills (W.A.R)	3.00%	-	-	-	-	3.00%	-	-	-	-	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	
<b>BPNG Treasury Bond Tap</b>	CLOSED UNTIL FURTHER NOTICE				

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

**For more information on your bidding strategy, please contact the team on phone 309 8501 or email**

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