

Treasury Bills (T-Bills) Results

'Highest W.A.Rs¹ of the year recorded across all tenors'

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

- All three tenors that were on trading this week (182, 273 and 364 days) experienced new yearly highs in their respective W.A.Rs. The 182 days was up by 2 bps² to 4.82%, 273 days tenor recorded an upside movement by 8 bps to 5.35% and an impressive 6.73% was recorded for the 364 days paper (up 17 bps).

- For the first time since week ending 19 July 2024, the *successful bid rate*³ for all traded bills recorded a range of 99-100%, indicating Central Bank's appetite to accept all bids where necessary in this week's auction.

- The cancellation of August's T-Bonds auction last week was seen as a major factor behind Central Bank awarding almost all bids in this week's T-bill auction in a move to make up for the capital losses in the T-Bonds market. We observed the 273 days paper for instance awarded nil bids in the past three auctions however recorded a 100% *successful bid rate* in this week's auction. Similarly, the 182 days tenor *successful bid rate* increased to 100% in this week's auction compared to 52% in last week's auction.

- This week's T-bill trading results indicated a general undermining of Central Bank's position in rejecting bid rates excessive to its acceptable W.A.R range it had exercised over the last past four auctions.

- With successful bids awarded to date being less by K774.110m compared to the total amount offered to date, last week's cancellation of T-Bonds auction is likely to move the W.A.Rs further up in the coming auctions.

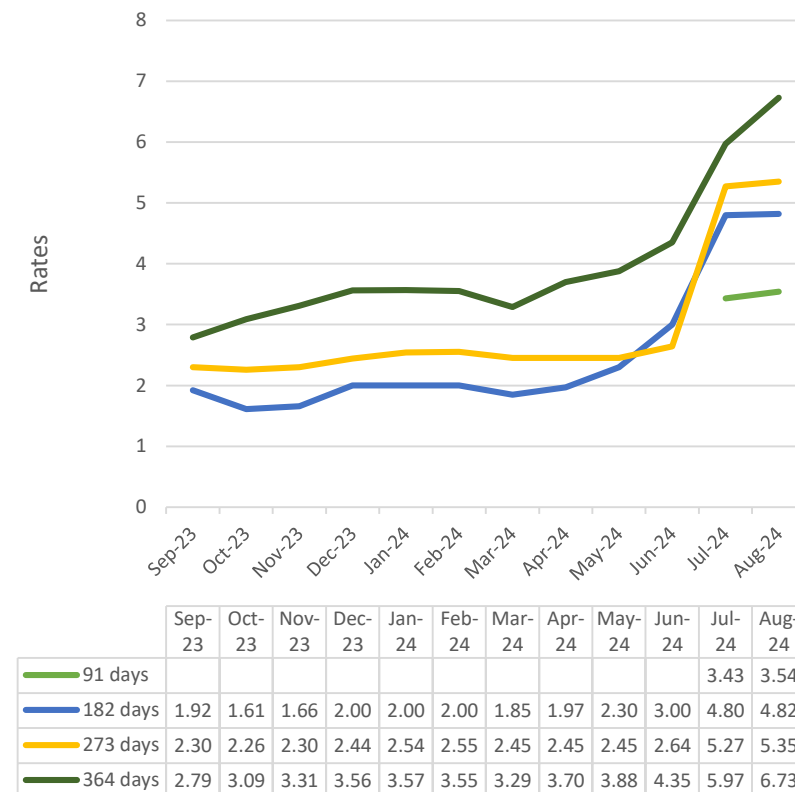
Table 1 – Last Three Auction Results

Auction Results 23 August 2024					
Terms	91 days	182 days	273 days	364 days	Total
W.A.R ¹	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 ³	-	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%

Auction Results 09 August 2024					
Terms	91 days	182 days	273 days	364 days	Total
W.A.R	3.54%	4.80%	5.27%	6.37%	
Amount on offer (K'm)	20.000	30.000	20.000	209.700	279.700
Bids received (K'm)	23.000	31.000	0.000	203.600	257.600
Successful bids (K'm)	23.000	1.000	0.000	137.910	161.910
Successful bid rate	100%	3%	-	68%	63%

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 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 13th has been cancelled by the Treasury Department. Further details on the cancellation will be published once received from the Treasury 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 yield, interest rate 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
	4,600.900

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

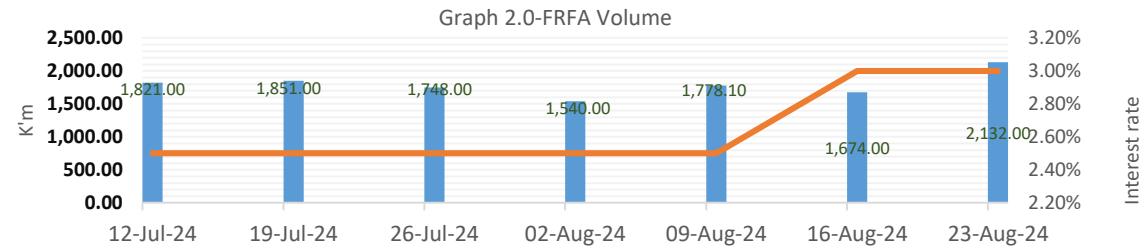
'CBB W.A.R remain unchanged at 3% for second time'

- 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 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 remain unchanged at 3% this week's trading following its first jump to that level last week
- Full allocation was made on K2.132b total bids received in this week.
- With K1.674b total CBB maturing this week, there is a net gain of K0.458b (or K2.132b - K1.674b) by Central Bank to mop up access liquidity in the market.
- CBB rate for the remaining auction in August will potentially be at 3.00% unless announced otherwise 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	0.90%	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
		-	4.82%	5.35%	6.73%		3.54%	4.80%	5.27%	6.54%		-	0.02%	0.08%	0.19%
Central Bank															
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	
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.