

Strong investor appetite for 364 Days T-bill continues into this week, whilst BPNG continues to offer the 7 Day Fixed Rate Full Allocation (FRFA).

- A total of K 315.01m was offered in the T-bill auction this week. There was an oversubscription in the overall auction results by an aggregate amount of K 426.90m. The 364 day offering continue to experienced strong bidding for this week again, with a subscription rate of 2.41%.
- Rates for the 182 and 273 days paper increased by 0.03bps and 1bps respectively whilst rates for the 364 days paper decreased by 5bps for the second consecutive week. Auction results this week indicated that the auction was exceedingly oversubscribed by K416 million for the 364 days paper, indicating a significant demand for short-term securities, primarily attributed to the limited availability of securities. Bids were aggressive as indicated by decline in rates for the 364 days paper.
- Graph 1.0** shows movement over a 12 month period for the 182, 273 and 364 days papers.
- The Central Bank notes that headline inflation is anticipated to remain low while core inflation to moderate, based on its assessment of economic fundamentals and broader macroeconomic indicators.
- The Kina Facility Rate (KFR) maintained at 2.50%.
- BSP Treasury monthly market summary noted BPNG's increased intervention in the FX market has played a big part in system liquidity and the increase in auction rates across all tenors.
- The 2024 budget has a budget deficit of 3.3% of GDP, or PGK 3,983.6 million. Deficit balance of PGK 2,320.4 to be financed domestically through Treasury Bills, Bonds, and loans, and the remainder externally.

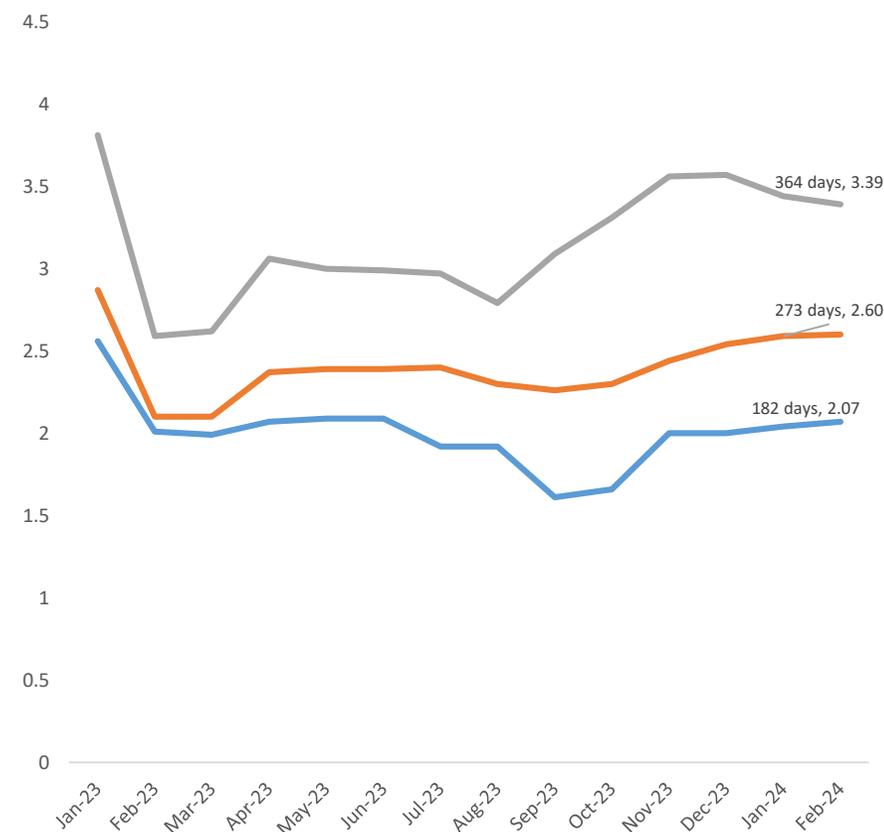
Table 1.0 – Previous auction results

Auction results 02 February 2024				
Terms	182 days	273 days	364 days	Total
W.A.Y -02/02/24	2.07%	2.60%	3.39%	
Amount on offer (K'm)	10	10	295.01	315.01
Bids received (K'm)	10	20	711.91	741.91
Successful bids(K'm)	10	20	390.01	420.01
Overall-Subscription rate (%)	1.00	2.00	2.41	2.36

Auction results 26th January 2024				
Terms	182 days	273 days	364 days	Total
W.A.Y -26/01/24	2.04%	2.59%	3.44%	
Amount on offer (K'm)	20	10	237	267
Bids received (K'm)	40	20	646.23	706.23
Successful bids(K'm)	20	10	355	385
Overall-Subscription rate (%)	2.00	2.00	2.73	2.65

Auction results 19 January 2024				
Terms	182 days	273 days	364 days	Total
W.A.Y -19/01/24	2.01%	2.56%	3.49%	
Amount on offer (K'm)	10	20	216.41	246.41
Bids received (K'm)	10	40	644.66	694.66
Successful bids(K'm)	10	30	350	390
Overall-Subscription rate (%)	1.00	2.00	2.98	2.82

Graph 1.0-Yield curve(%) showing movement in the 182,273 and 364 days T-bills over 12 month period



- Term deposit rates for all tenors remained flat across the board for the week.
- 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.
- The FRFA Auction is exclusive to authorized deposit takers, such as commercial banks, Savings & Loans Societies and Finance Companies. This week saw the fixed rate remained unchanged at 2.50%, there are specific requirements, and outcome is solely subjected to Bank of PNG's decision.
- This week's FRFA Central Bank Bill auction allocated K 2,351bn at a fixed rate of 2.50 %. To improve the transmission of monetary policy, BPNG will continue to align its monetary policy instruments to better influence domestic market interest rates to respond to changes in the monetary policy rate, the KFR. As a result, the 7-day Central Bank Bill rate, the short-term liquidity instrument under the Fixed Rate Full Allotment auction has increased by 50 basis points to 2.50 percent with immediate effect.
- The September Treasury Bond issuance was held on the 23rd September 2023. Debt issuance were for 2, 3, 4, 6, 7, 8, 9 and 10 years with a total issuance amount of K 510.4m. Coupon rates declined on all the papers.
- Last GIS issuance was in September 2023. No further notice has come out on the issuance for 2024.

Table 2.0 – Financial institutions rates and short term government paper rates as at 2nd February 2024

Issuer	Term & rates (Current)					Term & rates (Previous)					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	0.50%	0.75%	0.90%	1.15%	1.25%	0.50%	0.75%	0.90%	1.15%	1.25%	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%
ADIs															
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)			2.07%	2.60%	3.39%			2.04%	2.59%	3.44%	0.00%	0.00%	0.03%	0.01%	-0.05%
Central Bank															
Central Bank bills (W.A.R)	2.50%	0.00%	0.00%	0.00%	0.00%	2.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Table 3.0 – Long dated government paper rates – last auction results in September 2023

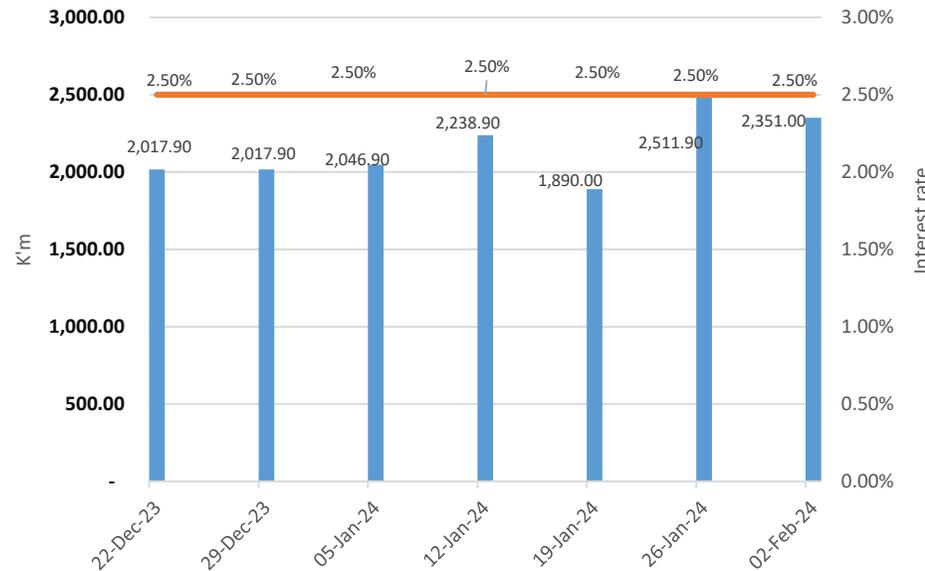
Issuer	Term (years)	Term & rates (Current)									
		2	3	4	5	6	7	8	9	10	
Treasury bonds (GIS)	Coupon	4.40%	4.45%	4.60%	0.00%	5.10%	5.40%	5.50%	5.70%	5.76%	
	Weighted Average Rates	3.93%	4.16%	4.49%	0.00%	4.99%	5.27%	5.42%	5.56%	5.74%	
<i>Auction results from 23/09/23</i>											
Issuer	Term (years)	Term & rates (Previous)									
		2	3	4	5	6	7	8	9	10	
Treasury bonds (GIS)	Coupon	4.40%	4.50%	4.70%	0.00%	5.20%	5.50%	5.60%	5.80%	6.00%	
	Weighted Average Rates	0.00%	4.19%	4.35%	0.00%	4.98%	5.27%	5.43%	5.61%	5.76%	
<i>Auction results from 23/08/23</i>											
Term (years)		Change/movement									
		2	3	4	5	6	7	8	9	10	
Treasury bonds (GIS)	Coupon	0.00%	-0.05%	-0.10%	0.00%	-0.10%	-0.10%	-0.10%	-0.10%	-0.24%	
	Weighted Average Rates	3.93%	-0.03%	0.14%	0.00%	0.01%	0.00%	-0.01%	-0.05%	-0.02%	

FRFA rate remained at 2.5%, similarly the KFR is at 2.5%. The reduction aims to support economic growth as inflation remains subdued.

Table 4.0 – Volume of FRFA traded in 7 weeks

Date: 02/02/2024	Rates (%)	Bids Received
Central Bank	7 Days	K'm
Central Bank bills (W.A.R)	2.50%	2,351.00
Date: 26/01/2024		
Central Bank	7 Days	K'm
Central Bank bills (W.A.R)	2.50%	2,274.90
Date: 19/01/2024		
Central Bank	7 Days	K'm
Central Bank bills (W.A.R)	2.50%	2,511.90
Date: 12/01/2024		
Central Bank	7 Days	K'm
Central Bank bills (W.A.R)	2.50%	1,890.00
Date: 05/01/2024		
Central Bank	7 Days	K'm
Central Bank bills (W.A.R)	2.50%	2,238.90
Date: 29/12/2023		
Central Bank	7 Days	K'm
Central Bank bills (W.A.R)	2.50%	2,046.90
Date: 22/12/2023		
Central Bank	7 Days	K'm
Central Bank bills (W.A.R)	2.50%	2,017.90
Traded in 7 weeks K'm		15,331.50

Graph 2.0-FRFA Volume



- The T-bill Tap and T-bond Tap papers remain temporarily closed until further notice.

Table 4.0 – Long dated papers-BPNG Tbill Tap and BPNG Tbond Tap as at June 2023

Issuer	Term & rates (Current)			
Term (years)	2	4	8	10
BPNG TBOND TAP	CLOSED UNTIL FURTHER NOTICE			

Issuer	Term & rates (Previous)				
Term (Days)	63	91	182	273	364
BPNG TREASURY BILL TAP	CLOSED UNTIL FURTHER NOTICE				

¹ <https://www.bankpng.gov.pg/wp-content/uploads/2018/06/BPNG-TAP-FACILITY-TBILL-TBOND.pdf>

For more information on your bidding strategy, please contact the team on phone 309 8501 or email bcapenquiries@bsp.com.pg

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