

Treasury Bills rates remained steady throughout the month.

- In the T-bill auction last week, K250m was offered on all three terms.
- The auction was undersubscribed by K40.3m.
- Rates remained steady for the 364 days paper. The 273 days increased by a basis point whilst the 182 days shed 2 bps.
- Graph 1.0 shows movement over a 12-month period for the 182, 273 & 364 days papers.
- Central Bank will continue to pursue a neutral stance of monetary policy in the next six months to September 2023 at the back of a projected fall in global growth and inflation. The Bank aims to achieve price stability and growth for the economy.
- Central Bank in the process of managing excess liquidity and transmission, to short-term domestic interest rates.
- KFR remains at 3.50% since January 2023.

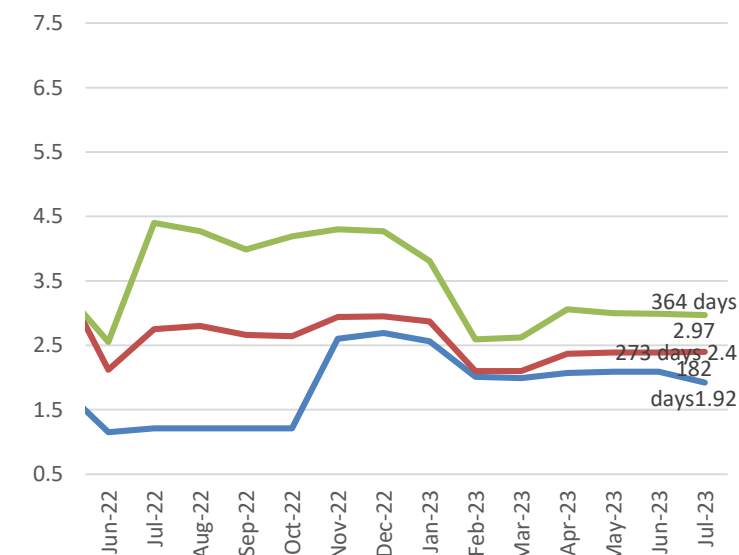
Table 1.0 – Previous auction results

Auction results 26th July 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -26/07	1.92%	2.40%	2.97%	
Amount on offer	10	30	210	250
Bids received	54.67	19	135.9	209.57
Successful bids	10	19	135.9	164.9
Overall-Subscription rate	-	-	0.65	0.84

Auction results 19th July 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -19/07	2.00%	2.39%	2.97%	
Amount on offer	10	0	214.2	224.2
Bids received	60.77	0	345.91	406.68
Successful bids	10	0	214.2	224.2
Overall-Subscription rate	-	-	1.61	1.81

Auction results 12th July 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -12/07	2.09%	2.39%	2.99%	
Amount on offer	10	20	154	184
Bids received	30	66.5	284.2	380.7
Successful bids	10	20	154	184
Overall-Subscription rate	-	-	1.85	2.07

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



Money market insight

- Term deposit rates remained flat across the board.
- The Central Bank Bills (CBB) have introduced 7 and 14 days papers as per the monetary policy stance on its transmission to short-term papers to mop up excess liquidity.
- Last week's CBB auction was oversubscribed by K103.10m indicating that short term papers remain attractive. Rates improved in the 14-days and 28-days terms whilst the rest closed unchanged.
- The 2023 National Budget which was released late December 2022, showed an increase in expenditure by K2.5bn to K24.6bn compared to 2022.
- Budget deficit of K5.0bn is expected to be financed through external borrowing (K3.5bn) and domestic disbursements (K1.5bn)¹.
- Fourth tranche of Treasury Bond issuance was held on the 23rd July 2023. Debt issuance were for 2,3,4,6,7,8,9 and 10 years, total issuance amount of K400m. The overall auction was oversubscribed by K162.3m.
- GIS weighted rates and coupon dropped compared to previous auction.

¹KPMG PNG Budget 2023

Table 2.0 – Financial institutions rates and short term government paper rates as at 28th July 2023

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)	0.05%	0.05%	0.05%	0.10%	0.25%	0.05%	0.05%	0.05%	0.10%	0.25%	0.00%	0.00%	0.00%	0.00%	0.00%
ADIs															
BSP Finance (PNG)	0.60%	0.60%	0.65%	1.10%	1.60%	0.60%	0.60%	0.65%	1.10%	1.60%	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	0.50%	1.00%	1.75%	2.00%	2.25%	0.50%	1.00%	1.75%	2.00%	2.25%	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)			1.92%	2.40%	2.97%			2.00%	2.39%	2.97%	0.00%	0.00%	-0.08%	0.01%	0.00%
Central Bank															
Central Bank bills (W.A.R)	2.23%	2.26%	2.39%	2.66%	2.80%	2.23%	2.25%	2.38%	2.66%	2.80%	0.00%	0.01%	0.01%	0.00%	0.00%

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

Issuer	Term (years)	Term & rates (Current)									
		2	3	4	5	6	7	8	9	10	
Treasury bonds (GIS)	Coupon	0.00%	4.55%	4.80%	0.00%	5.30%	5.55%	5.70%	0.00%	6.10%	
	Weighted Average Rates	0.00%	4.45%	4.67%	0.00%	5.16%	5.44%	5.58%	0.00%	5.83%	
<i>Auction results from 23/07/23</i>											
Issuer	Term (years)	Term & rates (Previous)									
		2	3	4	5	6	7	8	9	10	
Treasury bonds (GIS)	Coupon	4.40%	4.65%	4.90%	0.00%	5.40%	5.65%	5.80%	6.00%	6.20%	
	Weighted Average Rates	4.25%	4.42%	4.73%	0.00%	5.27%	5.49%	5.64%	5.86%	5.91%	
<i>Auction results from 23/06/23</i>											
Issuer	Term (years)	Change/movement									
		2	3	4	5	6	7	8	9	10	
Treasury bonds (GIS)	Coupon	-4.40%	-0.10%	-0.10%	0.00%	-0.10%	-0.10%	-0.10%	-6.00%	-0.10%	
	Weighted Average Rates	-4.25%	0.03%	-0.06%	0.00%	-0.11%	-0.05%	-0.06%	-5.86%	-0.08%	

Money market insight

- 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

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