

**The Treasury Bill rates further improved as BPNG continues to offer the 7-Day Fixed Rate Full Allocation (FRFA) .**

- A total of K324.2m was offered in the T-bill auction this week. There was an oversubscription in the overall auction results by an aggregate amount of K84.61m.
- Rates improved across the board. The 182 days gained 6 basis points as the 273 days gained 2 basis points. Similarly, the 364 days papers improved by 23.1 basis points.
- Graph 1.0 shows movement over a 12-month period for the 182, 273 & 364 days papers.
- The Central Bank notes that headline inflation is anticipated to remain low while core inflation to moderate, based on its assesment of economic fundamentals and broader macroeconomic indicators.
- The Kina Facility Rate (KFR) remained steady at 3.00 since the Central Bank reduced rate by 50 basis point on September this year.
- 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.

**Table 1.0 – Previous auction results**

| Auction results 10th November 2023 |          |          |          |        |
|------------------------------------|----------|----------|----------|--------|
| Terms                              | 182 days | 273 days | 364 days | Total  |
| W.A.Y -01/11                       | 1.80%    | 2.35%    | 3.50%    |        |
| Amount on offer                    | 20       | 10       | 294.2    | 324.2  |
| Bids received                      | 20       | 24       | 364.81   | 408.81 |
| Successful bids                    | 20       | 10       | 283.41   | 313.41 |
| Overall-Subscription rate          | 1.00     | 2.40     | 1.24     | 1.26   |

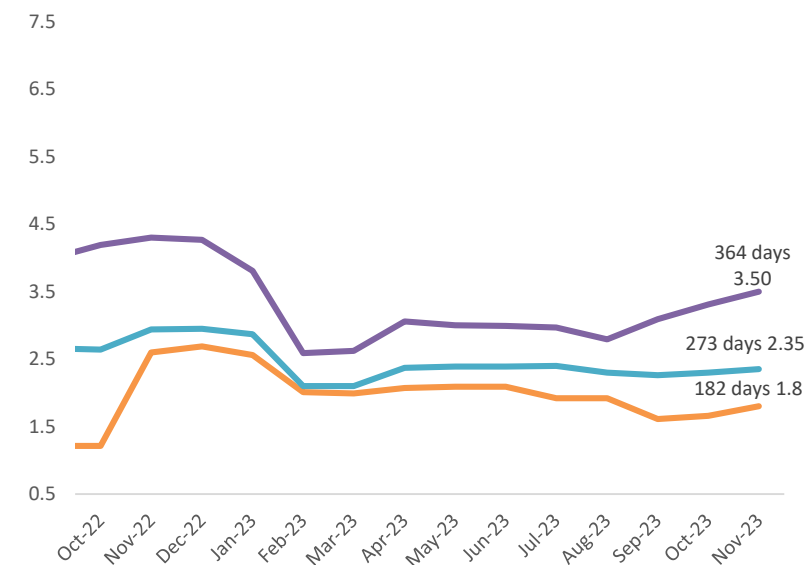
  

| Auction results 1st November 2023 |          |          |          |        |
|-----------------------------------|----------|----------|----------|--------|
| Terms                             | 182 days | 273 days | 364 days | Total  |
| W.A.Y -01/11                      | 1.74%    | 2.33%    | 3.41%    |        |
| Amount on offer                   | 10       | 20       | 271.1    | 301.1  |
| Bids received                     | 12       | 35       | 363.05   | 410.05 |
| Successful bids                   | 10       | 20       | 271.1    | 301.1  |
| Overall-Subscription rate         | 1.20     | 1.75     | 1.34     | 1.36   |

| Auction results 27th October 2023 |          |          |          |        |
|-----------------------------------|----------|----------|----------|--------|
| Terms                             | 182 days | 273 days | 364 days | Total  |
| W.A.Y -27/10                      | 1.66%    | 2.30%    | 3.31%    |        |
| Amount on offer                   | 10       | 20       | 273.54   | 303.54 |
| Bids received                     | 16       | 12       | 327.4    | 355.4  |
| Successful bids                   | 16       | 12       | 278.25   | 306.25 |
| Overall-Subscription rate         | 1.60     | 0.60     | 1.20     | 1.17   |

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



## BSP Capital Limited

# Money market Insight

- Term deposit rates remained flat across the board.
- 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 deposit takers, such as commercial banks, Savings & Loans Societies and Finance Companies. This week saw the fixed rate of 2.00% increased to 2.50%pa, there are specific requirements, and outcome is solely subjected to Bank of PNG's decision.
- This week's FRFA Central Bank Bill auction allocated K1.69bn at a fixed rate of 2.50 percent.
- 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 K510.4m. Coupon rates declined on all the papers.
- GIS appropriation for 2023 have been fully issued as of last month. There will be no issuance for the remainder of the year until further notice.

**Table 2.0 – Financial institutions rates and short term government paper rates as at 10<sup>th</sup> November 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   |
| <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                    | 0.50%                  | 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% |
| <b>ADIs</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                      | 1.00%                  | 1.50% | 2.25% | 2.50% | 2.75% | 1.00%                   | 1.50% | 2.25% | 2.50% | 2.75% | 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% |
| <b>Government Securities</b> |                        |       |       |       |       |                         |       |       |       |       |                 |       |       |       |       |
| Treasury bills (W.A.R)       |                        |       | 182   | 273   | 364   |                         |       | 182   | 273   | 364   |                 |       | 0.06% | 0.02% | 0.09% |
|                              |                        |       | 1.80% | 2.35% | 3.50% |                         |       | 1.74% | 2.33% | 3.41% |                 |       |       |       |       |
| <b>Central Bank</b>          |                        |       |       |       |       |                         |       |       |       |       |                 |       |       |       |       |
| Central Bank bills (W.A.R)   | 7                      | 14    | 28    | 63    | 91    | 7                       | 14    | 28    | 63    | 91    | 0.50%           | 0.00% | 0.00% | 0.00% | 0.00% |
|                              | 2.50%                  | 0.00% | 0.00% | 0.00% | 0.00% | 2.00%                   | 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% |

- 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 |
| <b>BPNG TBOND 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 |    |     |     |     |

<sup>1</sup> <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](mailto:bcapenquiries@bsp.com.pg)**

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