

Treasury Bills (T-Bills) Results

'K81.700m over-subscription reported after 4 weeks'.

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

- In an interesting turn of events the T-Bills recorded an K81.700m over-subscription in overall auction results this week, breaking a 4 week long aggregate under-subscription of K500.040m.

- The week's trading results validates investors' appetite for higher interest rates then offering in the recent past weeks to date as the Bank of Papua New Guinea's (BPNG) assumes a tightening monetary policy stance – Cash Reserve Ratio (CRR) increased to 12.0% (April 10.0%) and Kina Facility Rate at 2.5% (April 2.0%) to mop up excess liquidity.

- Adding to the week's aggregate over-subscription, all four tenors recorded their new highs in *W.A.Rs*¹ of the year in this week's auction – refer Table 1 for July 19 W.A.Rs. The rates are 32, 39, 56 and 36 *bps*² higher week-by-week for 91, 182, 273 and 364 days tenor respectively.

- 100% *successful bid rate*³ reported across all 4 tenors in this week's auction, bringing the count to 5 consecutive week in a row where all bids received were awarded accordingly.

- A positive for investors in the market is that total successful bids awarded to date is K389.360m less than the total amount offered over the same period, indicative of shortfall in the budget plan on revenue raising through Treasury Bill Auctions, and consequently a possible further upside in interest rates.

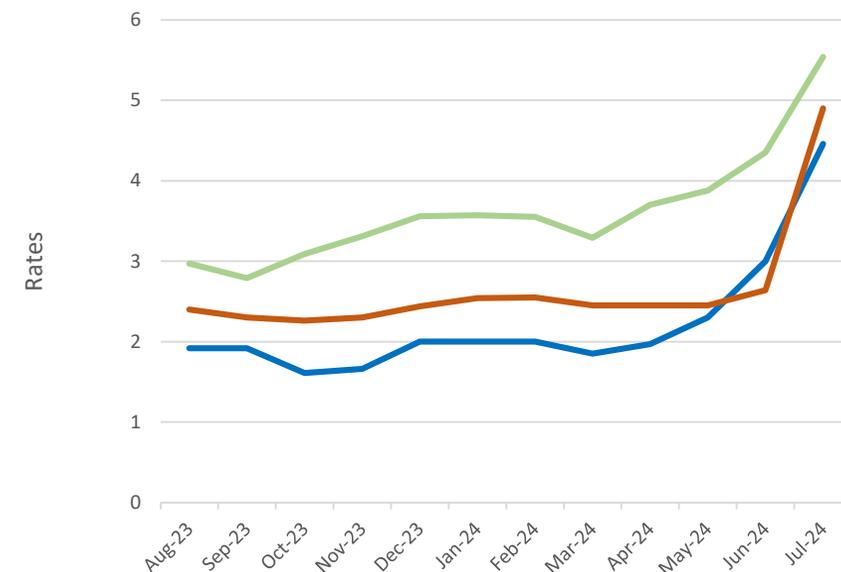
Table 1 – Last Three Auction Results

Auction Results 19 July 2024					
Terms	91 days	182 days	273 days	364 days	Total
W.A.R	3.43%	4.46%	4.90%	5.54%	
Amount on offer (K'm)	20.000	20.000	20.000	169.400	273.000
Bids received (K'm)	20.000	23.000	20.000	248.100	148.200
Successful bids (K'm)	20.000	23.000	20.000	248.100	148.200
Successful bid rate ³	100%	100%	100%	100%	100%

Auction Results 12 July 2024					
Terms	91 days	182 days	273 days	364 days	Total
W.A.R	3.11%	4.07%	4.34%	5.18%	
Amount on offer (K'm)	10.000	10.000	10.000	243.000	273.000
Bids received (K'm)	10.000	14.500	16.500	107.200	148.200
Successful bids (K'm)	10.000	14.500	16.500	107.200	148.200
Successful bid rate	100%	100%	100%	100%	100%

Auction Results 05 July 2024					
Terms	91 days	182 days	273 days	364 days	Total
W.A.R	-	3.18%	2.74%	4.61%	
Amount on offer (K'm)	-	10.000	10.000	266.500	286.500
Bids received (K'm)	-	15.000	13.000	97.300	125.300
Successful bids(K'm)	-	15.000	13.000	97.300	125.300
Successful bid rate	-	100%	100%	100%	100%

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



	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
91 days												3.43
182 days	1.92	1.92	1.61	1.66	2.00	2.00	2.00	1.85	1.97	2.30	3.00	4.46
273 days	2.40	2.30	2.26	2.30	2.44	2.54	2.55	2.45	2.45	2.45	2.64	4.90
364 days	2.97	2.79	3.09	3.31	3.56	3.57	3.55	3.29	3.70	3.88	4.35	5.54

¹ W.A.R = Weighted Average Rate

² Basis points; 100 bps = 1%

³ Successful bid rate = Successful bid / Bids received

Treasury Bonds (Government Inscribed Stock)

'Bond demand reduced, W.A.Rs increased in July'

- 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.
- July's GIS auction experienced a weak bond demand for the year where only K11.150m in bids received from K400.000m on offer, resulting in highest annual undersubscription of K388.850m (or K11.150m – K400.000m).
- Similar to other monthly bond auctions except for May, the market in July did not match or reward all the bids received. From July's K11.150m total bids received, only K2.150m was rewarded (19% successful bid rate).
- All of the K2.150m successful bids in July came from 5 and 10 year tenors only and on par with expectations the two tenors realized increased W.A.Rs as a result – their W.A.Rs increased by 101 bps and 14 bps to 5.70% and 6.90% respectively compared to June's results.
- The predominant undersubscriptions 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.

Table 2 – Domestic Issuance Calendar (GIS)

2024 Treasury Bond Tentative Issuance Schedule	
Tentative Issuance Date	Tentative Issuance Amount (K'm)
Tuesday 27 February	800.00
Tuesday 19 March	800.00
Tuesday 23 April	700.00
Tuesday 21 May	600.00
Tuesday 18 June	500.00
Tuesday 23 July	400.00
Tuesday 20 August	200.00
Tuesday 17 September	150.00
Tuesday 22 November	150.00
Tuesday 19 November	100.90
	4,400.90

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%

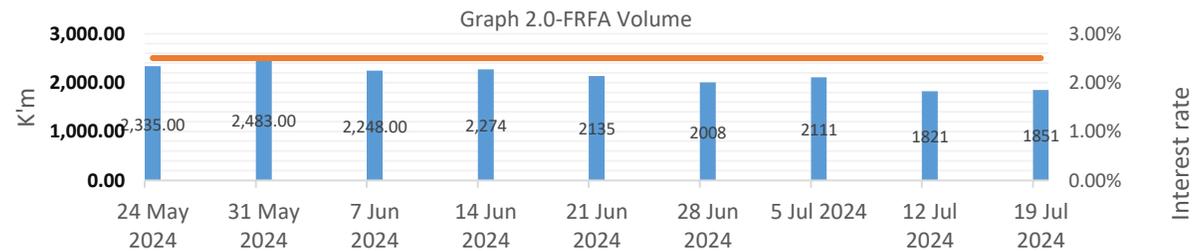
Fix Rate Full Allotment Auction (FRFA) & Financial Institution Term Deposit Rates

- Term deposit rates for all tenors remained unchanged for almost 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 remained unchanged at 2.50% this week.
- Full allocation was made on K1.851b total bids received in this week's auction.
- With K1.821b total CBB maturing this week, there is a net gain of K0.030b (or K1.851b – K1.821) by Central Bank to mop up access liquidity in the market.
- July's CBB W.A.R is subject to change in coming auctions pending announcement of Kina Facility Rate (KFR) 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%	1.30%	1.40%	2.40%	1.00%	1.20%	1.30%	1.40%	2.40%	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	-	0.32%	0.39%	0.56%	0.36%		
			3.43%	4.46%	4.90%	5.54%			3.11%	4.07%	4.34%	5.18%					
Central Bank																	
Central Bank bills (W.A.R)	7	14	28	63	91	7	14	28	63	91	0.00%	-	-	-	-		
	2.50%	-	-	-	-	2.50%	-	-	-	-							

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				

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