

Treasury Bills (T-Bills) Results

- T-Bills are short term debt strategy of government.
- Highest W.A.Rs¹ of the year were recorded in this week's auction, meeting expectations of growing rates in T-Bills market; The 182 and 364 day tenors' W.A.Rs closed 1 and 4 bps² higher at 2.30% and 3.88% respectively.
- After receiving strong bidding in the last 3 auctions, the 182 days tenor suddenly dropped to only K200,000 in total bids received for this week with full allocation made on it.
- Justification of the sudden drop in demand for 182 days tenor is the over-subscription of K106.130m in 364 days issuance in this week's auction; Investors showed an appetite to wait a little longer – exactly 6 months more – to cash in on an additional 1.58% W.A.R that comes along with the 364 days tenor compared to 182 days' W.A.R.
- The week's overall auction was over-subscribed by K79.330m, its fourth in a row with majority of the over-subscription came from the 364 days tenor.
- Despite the overall auction being over-subscribed, the volume of successful T-Bill bids awarded was K181.700m less than the total amount offered to date, signaling potential insight of the market to entertain marginally higher bids in coming auctions in order to get back on track with the budget.

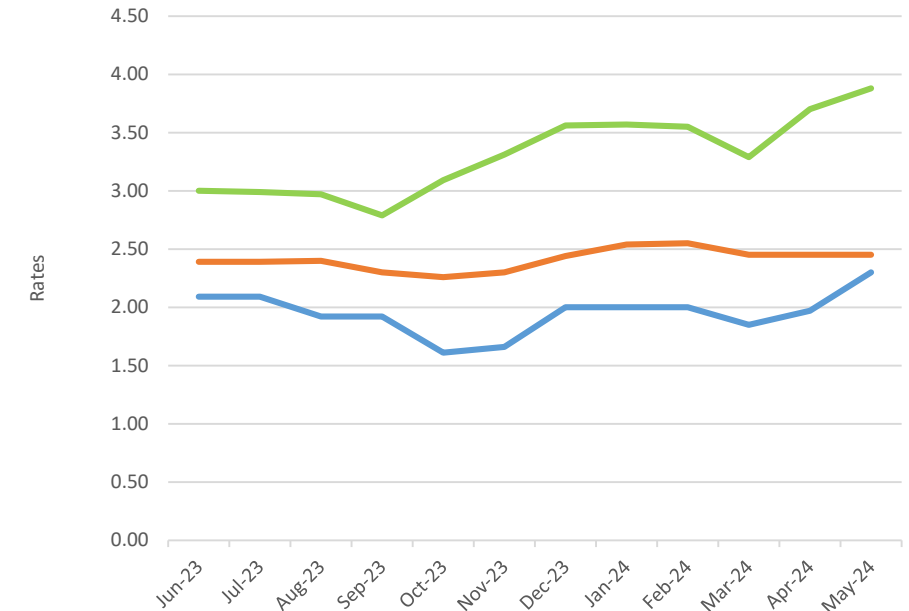
Table 1 – Last Three Auction Results

Auction Results 24 May 2024				
Terms	182 days	273 days	364 days	Total
W.A.R	2.30%	2.45%	3.88%	
Amount on offer (K'm)	27.000	0.000	290.000	317.000
Bids received (K'm)	0.200	0.000	396.130	396.330
Successful bids (K'm)	0.200	0.000	311.130	311.330
Successful bid rate ³	100%	-	79%	79%

Auction Results 17 May 2024				
Terms	182 days	273 days	364 days	Total
W.A.R	2.29%	2.45%	3.84%	
Amount on offer (K'm)	10.000	10.000	230.000	185.300
Bids received (K'm)	9.000	12.000	291.660	242.010
Successful bids (K'm)	9.000	10.000	236.660	198.010
Successful bid rate	100%	83%	81%	82%

Auction Results 10 May 2024				
Terms	182 days	273 days	364 days	Total
W.A.R	2.28%	2.45%	3.81%	
Amount on offer (K'm)	10.000	0.000	175.300	185.300
Bids received (K'm)	20.000	0.000	222.010	242.010
Successful bids(K'm)	20.000	0.000	178.010	198.010
Successful bid rate	100%	-	80%	82%

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



	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
182 days	2.09	2.09	1.92	1.92	1.61	1.66	2.00	2.00	2.00	1.85	1.97	2.30
273 days	2.39	2.39	2.40	2.30	2.26	2.30	2.44	2.54	2.55	2.45	2.45	2.45
364 days	3.00	2.99	2.97	2.79	3.09	3.31	3.56	3.57	3.55	3.29	3.70	3.88

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)

- Government Inscribed Stocks (GIS) are long term debt strategy utilized by the government to finance deficit budget – The tentative GIS issuance date for 2024 is given on Table 2.
- This month's GIS auction result came undersubscribed by K87.540m, making it third consecutive undersubscriptions in a row from 4 auctions this year.
- As anticipated, W.A.R for all tenors in May's auction increased compared to that of previous corresponding period except for the 5 year tenor; *+0.18, +0.05%, -0.01%, +0.07%, +0.09%, +0.01%, 0.05% and +0.07%* are W.A.R changes for 2, 3, 5, 6, 7, 8, 9 and 10 year tenors respectively.
- This month's undersubscription brings the total number of successful bids GIS awarded to K2.3b from the total of K2.900b offered, signaling once again for market to move towards higher W.A.Rs in coming monthly auctions to offset the losses.
- The next GIS issuance is tentatively scheduled for 18th June 2024.

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	300.00
Tuesday 20 August	200.00
Tuesday 17 September	150.00
Tuesday 22 November	150.00
Tuesday 19 November	100.90
	4,300.90

Table 3 – 2024 GIS Auction Results & Change in Rates

Auction results from 14 May 2024										
Issuer		Term & rates (Current)								
Term (years)		2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)	Coupon	4.30%	4.50%	0.00%	4.70%	5.10%	5.40%	5.50%	5.70%	5.90%
	Weighted Average Rates	4.48%	4.51%	0.00%	4.69%	5.16%	5.49%	5.51%	5.75%	5.98%
Auction results from 23 April 2024										
Issuer		Term & rates (Previous)								
Term (years)		2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)	Coupon	4.30%	4.40%	0.00%	4.70%	5.00%	5.30%	5.40%	5.60%	5.80%
	Weighted Average Rates	4.30%	4.46%	0.00%	4.70%	5.09%	5.40%	5.50%	5.70%	5.91%
Change in Results										
		Change/movement								
Term (years)		2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)	Coupon	0.00%	0.10%	0.00%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
	Weighted Average Rates	0.18%	0.05%	0.00%	-0.01%	0.07%	0.09%	0.01%	0.05%	0.07%

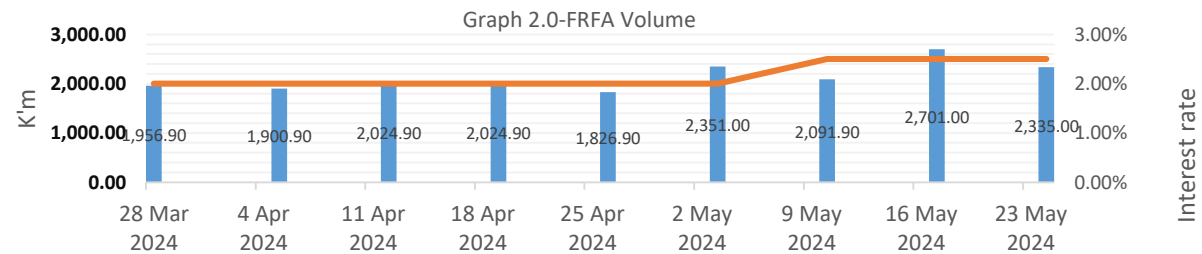
Fix Rate Full Allotment Auction (FRFA) & Financial Institution Term Deposit Rates

- Term deposit rates for all tenors remained relatively unchanged.
- 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 (CBB) and is exclusive to authorized deposit takers, such as commercial banks, Savings & Loans Societies and Finance Companies.
- This week's rate remained unchanged at 2.50% and will continue to do so throughout the month following Central Bank's Kina Facility Rate publication.
- The total FRFA bids received for the week equaled K2.335b with full allocation made on all bids received.
- With nil maturity for the week under CBB, the total successful bids awarded of K2.335b is the net weekly gain by Central Bank to mop up excess liquidity.

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	0.25%	0.50%	0.65%	0.90%	1.00%	0.25%	0.50%	0.65%	0.90%	1.00%	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	0.75%	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)			182	273	364			182	273	364	0.00%	0.00%	0.01%	0.00%	0.04%
			2.30%	2.45%	3.88%			2.29%	2.45%	3.84%					
Central Bank															
Central Bank bills (W.A.R)	7	14	28	63	91	7	14	28	63	91	2.50%	0.00%	0.00%	0.00%	0.00%
	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%

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

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