

Treasury Bills (T-Bills) Results

'364 days bill W.A.R¹ surged to 6.37%'

- T-Bills are short term debt strategy of the government.
- The 364 days bill W.A.R¹ surged 40 bps² week-by-week, up 176 bps from a month ago and increased by 282 bps from its first trading of the year to 6.37% in this week's trading.
- The third consecutive overall over-subscription this week of K5.490m indicate investor appetite towards holding bills, capitalizing on rising rates in the market.
- The 91 days bill resumed its third trading of the year this week after a week off, clocking its W.A.R at 3.42% (down only 1 bp from its last trading).
- Just the 182 days tenor reported a *successful bid rate*³ of 100%, potentially indicating the market's rejection of bids that may not have been within the expected trading range.
- W.A.Rs for 182, 273 and 364 days tenors increased this week to new yearly highs at 4.80% (up 34 bps²), 5.27% (up 37 bps) and 5.97% (up 43 bps) respectively.

As at this week's auction, the total amount of successful bids awarded to date is K484.870m less than the total amount offered to date, reflecting the need of the market to raise more capital in coming auctions to get back on track.

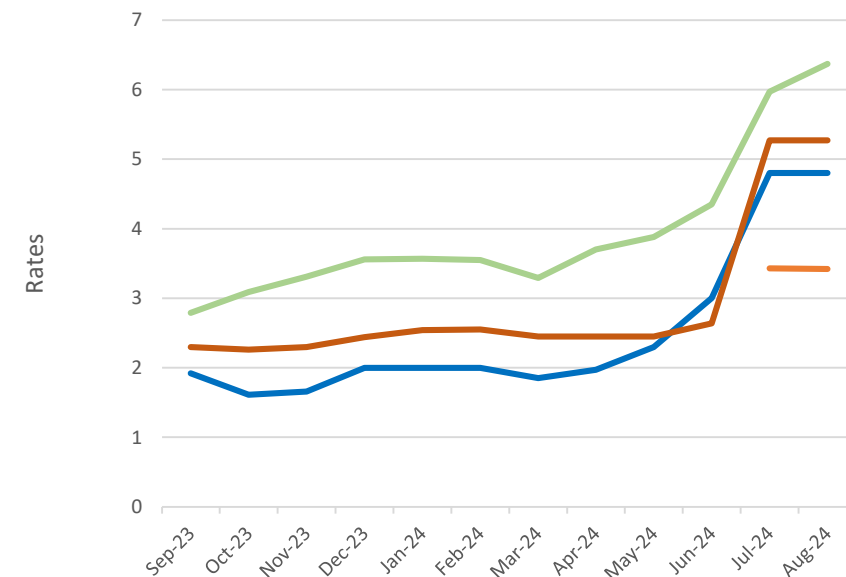
Table 1 – Last Three Auction Results

Auction Results 02 August 2024					
Terms	91 days	182 days	273 days	364 days	Total
W.A.R ¹	3.42%	4.80%	5.27%	6.37%	
Amount on offer (K'm)	10.000	40.000	50.000	170.360	270.360
Bids received (K'm)	21.500	10.610	10.000	233.740	275.850
Successful bids (K'm)	11.500	10.610	-	163.740	185.850
Successful bid rate ³	53%	100%	-	70%	67%

Auction Results 26 July 2024					
Terms	91 days	182 days	273 days	364 days	Total
W.A.R	3.43%	4.80%	5.27%	5.97%	
Amount on offer (K'm)	-	20.000	30.000	217.900	267.900
Bids received (K'm)	-	15.000	31.000	242.100	288.100
Successful bids (K'm)	-	15.000	30.000	217.900	262.900
Successful bid rate	-	100%	97%	90%	91%

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	100%	100%	100%	100%	100%

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



	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
91 days											3.43	3.42
182 days	1.92	1.61	1.66	2.00	2.00	2.00	1.85	1.97	2.30	3.00	4.80	4.80
273 days	2.30	2.26	2.30	2.44	2.54	2.55	2.45	2.45	2.45	2.64	5.27	5.27
364 days	2.79	3.09	3.31	3.56	3.57	3.55	3.29	3.70	3.88	4.35	5.97	6.37

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 auction tentatively scheduled for August 20'

- 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.
- A tentative issuance amount of K200.000m will be offered in this month's auction on Tuesday, 20th August 2024.
- 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).
- 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%

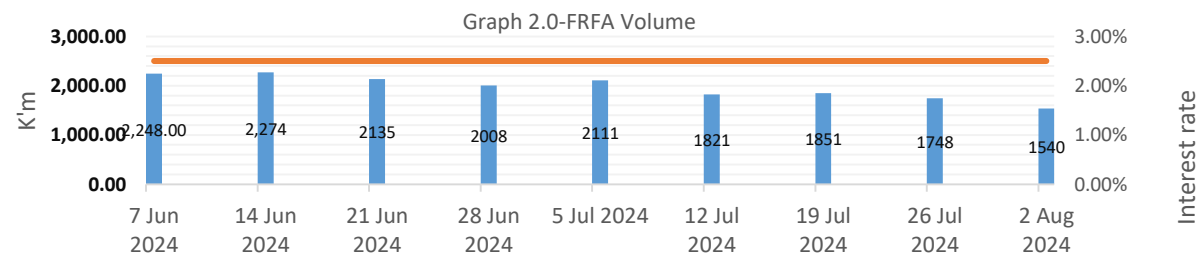
Fix Rate Full Allotment Auction (FRFA) & Financial Institution Term Deposit Rates

- Term deposit rates for all tenors remained unchanged for 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% throughout the month of July.
- Full allocation was made on K1.540b total bids received in this week's auction.
- With K1.748b total CBB maturing this week, there is a net loss of K0.208b (or K1.540b - K1.748b) by Central Bank to mop up access liquidity in the market.
- August's CBB rate is subject to change pending announcement of the 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%	1.60%	2.20%	2.50%	1.00%	1.20%	1.60%	2.20%	2.50%	0.00%	0.00%	0.00%	0.00%	0.00%
Government Securities															
Treasury bills (W.A.R)		3.42	4.80%	5.27%	6.37%		3.43	4.80%	5.27%	5.97%		-0.01%	0.00%	0.00%	0.40%
Central Bank															
Central Bank bills (W.A.R)	2.50%	-	-	-	-	2.50%	-	-	-	-	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				

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