

Treasury Bills rates remained steady throughout the month.

- A total of K292m was offered in the T-bill auction last week in the 273 and 364 days tenors only. The auction was oversubscribed by K415.62m.
- Rates declined for both papers. The 273 days dropped by 10 basis points whilst the 364 days shed 18 bps compared to previous results.
- 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.

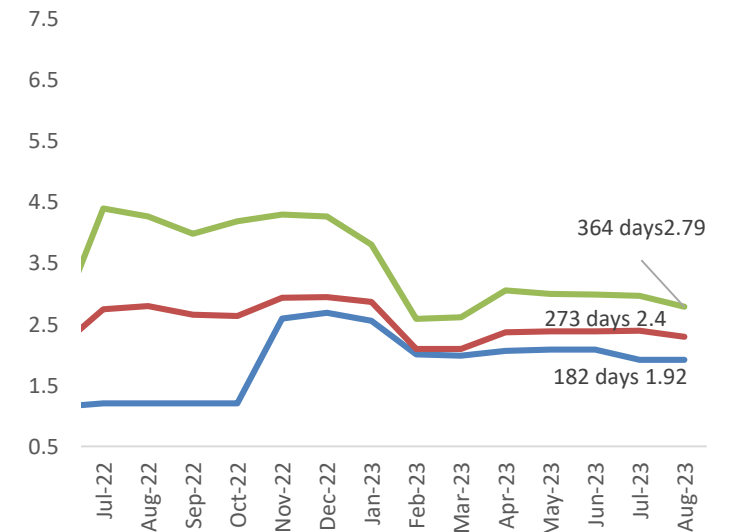
Table 1.0 – Previous auction results

Auction results 18th August 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -04/08	1.92%	2.30%	2.79%	
Amount on offer	0	50	242	292
Bids received	0	133.46	610.16	743.62
Successful bids	0	50	242	292
Overall-Subscription rate	-	-	2.52	2.55

Auction results 11th July 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -26/07	1.92%	2.40%	2.97%	
Amount on offer	0	50	199.7	249.7
Bids received	0	20	339.77	359.77
Successful bids	0	20	199.7	219.7
Overall-Subscription rate	-	-	1.70	1.44

Auction results 4th August 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -04/08	1.92%	2.40%	2.97%	
Amount on offer	0	40	240.36	280.36
Bids received	0	75.11	487.6	562.71
Successful bids	0	40	240.24	280.24
Overall-Subscription rate	-	-	2.03	2.01

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 mostly flat across the board. Change was noted in the rates for FinCorp which showed improvement 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 K907.50m indicating that short term papers remain attractive causing rates to waned on almost all the terms.
- 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.
- The August Treasury Bond issuance was held on the 21st August 2023. Debt issuance were for 3,4,6,7,8,9 and 10 years with a total issuance amount of K400m.

¹KPMG PNG Budget 2023

Table 2.0 – Financial institutions rates and short term government paper rates as at 18th August 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)	0.10%	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%	0.50%	1.00%	1.75%	2.00%	2.25%	0.50%	0.50%	0.50%	0.50%	0.50%
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%	2.30%	2.79%			1.92%	2.40%	2.97%	0.00%	0.00%	0.00%	-0.10%	-0.18%
Central Bank															
Central Bank bills (W.A.R)	2.23%	2.26%	2.38%	2.65%	2.78%	2.23%	2.26%	2.39%	2.66%	2.79%	0.00%	0.00%	-0.01%	-0.01%	-0.01%

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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