

Treasury Bills auction undersubscribed as initial 2024 Treasury Bonds come on to market.

- A total of K 269.26m was offered in the T-bill auction this week. The overall auction results was undersubscribed by K 100.66m. The 273 and 364 Days papers were both undersubscribed. 273 Days tenor being the most unattractive with nil subscriptions.
- Weighted average rates dropped for the 182 and 364 days paper respectively whilst the 273 days remained unchanged with nil bids received in this tenor. The undersubscription came about as the Governments Inscribed stocks auctions on Tuesday may have filled investor appetites. The 364 days paper shed 2 basis points compared to previous auction whilst the 182 days paper by 1 basis point and 273 days paper remained unchanged.
- **Graph 1.0** shows movement over a 12 month period for the 182, 273 and 364 days papers.
- The Central Bank notes that headline inflation is anticipated to remain low while core inflation to moderate, based on its assessment of economic fundamentals and broader macroeconomic indicators.
- The Kina Facility Rate (KFR) dropped by 50bps in February to 2.00%.
- It is being noted 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.
- The 2024 budget has a budget deficit of 3.3% of GDP, or PGK 3,983.6 million. The deficit balance of PGK 2,320.4m is to be financed domestically through Treasury Bills, Bonds, and loans, and the remainder externally.
- First tranche of Treasury Bond issuance was held on the 28th February 2024.

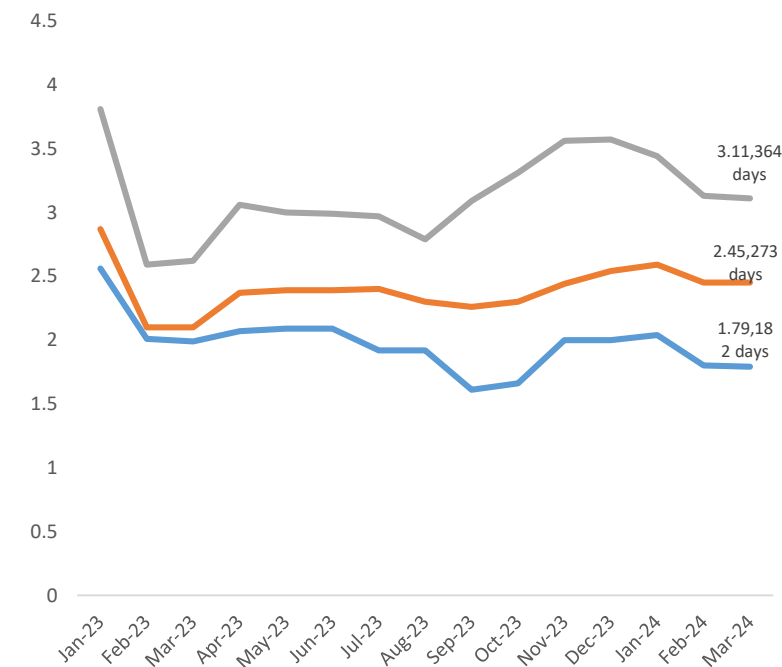
Table 1.0 – Previous auction results

Auction results 01 March 2024				
Terms	182 days	273 days	364 days	Total
W.A.Y -16/02/24	1.79%	2.45%	3.11%	
Amount on offer (K'm)	10	10	249.26	269.26
Bids received (K'm)	10	0	158.6	168.6
Successful bids(K'm)	10	0	158.6	168.6
Overall-Subscription rate (%)	1.00	-	0.64	0.63

Auction results 23 February 2024				
Terms	182 days	273 days	364 days	Total
W.A.Y -23/02/24	1.80%	2.45%	3.13%	
Amount on offer (K'm)	30	30	359.46	419.46
Bids received (K'm)	60	30	322.64	412.64
Successful bids(K'm)	60	30	322.64	412.64
Overall-Subscription rate (%)	2.00	1.00	0.90	0.98

Auction results 16 February 2024				
Terms	182 days	273 days	364 days	Total
W.A.Y -16/02/24	2.00%	2.49%	3.22%	
Amount on offer (K'm)	40	30	313.04	383.04
Bids received (K'm)	52	92	606.28	750.28
Successful bids(K'm)	52	60	353.04	465.04
Overall-Subscription rate (%)	1.30	3.07	1.94	1.96

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



- 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.
- The FRFA Auction is exclusive to authorized deposit takers, such as commercial banks, Savings & Loans Societies and Finance Companies. This week saw the fixed rate declined by 50 basis points to 2.00%, its specific requirements, and outcome is solely subjected to Bank of PNG's decision.
- The Central Bank Bill auction allocated K 2,046.90bn at a fixed rate of 2.00 % for the week in the FRFA. To improve the transmission of monetary policy, BPNG will continue to align its monetary policy instruments to better influence domestic market interest rates to respond to changes in the monetary policy rate, the KFR. As a result, the 7-day Central Bank Bill, the short-term liquidity instrument under the Fixed Rate Full Allotment auction continues to be offered at 2.00 percent.
- Debt issuance were for terms of 5, 6, 7, 8, 9, and 10 Years, with initial total issuance amount of K 800m.
- The overall auction was oversubscribed by K 72.10m.
- GIS weighted rates and coupon increased compared to previous auction;
- The Government in its Debt Issuance Plan has budgeted to issue a total of K ,300.90m in monthly auctions starting February 2024 to November 2024.

Table 2.0 – Financial institutions rates and short term government paper rates as at 01st March 2024

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	0.25%	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%
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	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)			1.79%	2.45%	3.11%			1.80%	2.45%	3.13%	0.00%	0.00%	-0.01%	0.00%	-0.02%
Central Bank															
Central Bank bills (W.A.R)	2.00%	0.00%	0.00%	0.00%	0.00%	2.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

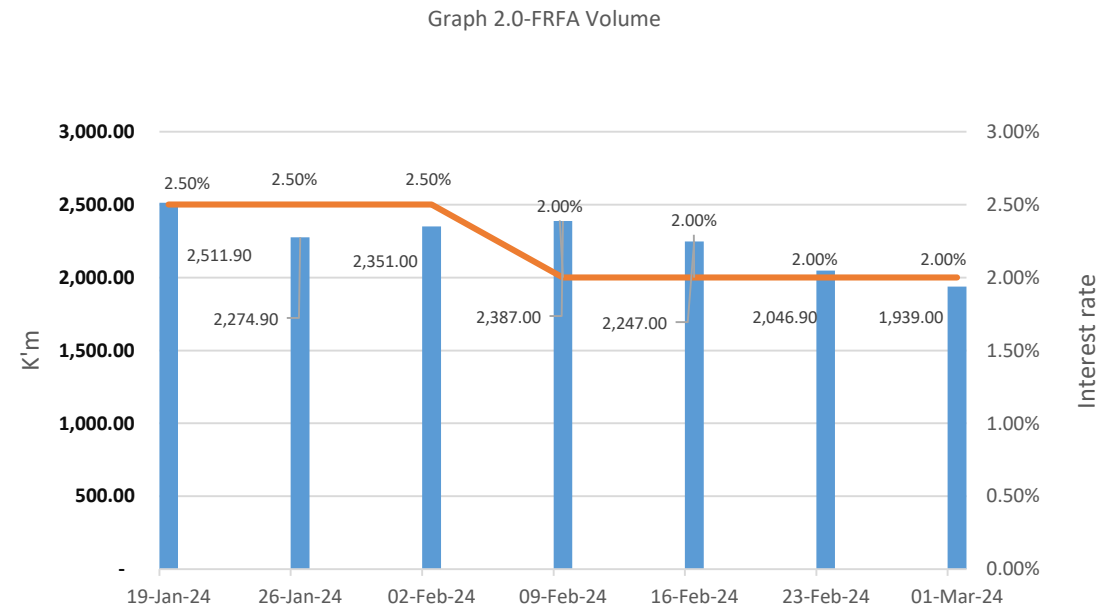
Table 3.0 – Long dated government paper rates – Auction results as at March 2024

Issuer	Term (years)	Term & rates (Current)									
		2	3	4	5	6	7	8	9	10	
Treasury bonds (GIS)	Coupon	0.00%	0.00%	0.00%	4.80%	5.10%	5.40%	5.50%	5.70%	6.00%	
	Weighted Average Rates	0.00%	0.00%	0.00%	4.80%	5.09%	5.37%	5.49%	5.68%	5.98%	
<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%	4.45%	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 23/08/23</i>											
Term (years)		Change/movement									
		2	3	4	5	6	7	8	9	10	
Treasury bonds (GIS)	Coupon	-4.40%	-4.45%	-4.60%	4.80%	0.00%	0.00%	0.00%	0.00%	0.24%	
	Weighted Average Rates	-3.93%	-4.16%	-4.49%	4.80%	0.10%	0.10%	0.07%	0.12%	0.24%	

FRFA volume transacted dipped further 5% from last week to K 1,939m. The 7 Days bill is fixed at 2% and aims to support economic growth by mopping up excess liquidity as inflation remains subdued

Table 4.0 – Volume of FRFA traded in 7 weeks

Date: 01/03/2024	Rates (%)	Bids Received
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.00%	1,939.00
Date: 23/02/2024		
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.00%	2,046.90
Date: 16/02/2024		
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.00%	2,247.00
Date: 09/02/2024		
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.00%	2,387.00
Date: 02/02/2024		
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.50%	2,351.00
Date: 26/01/2024		
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.50%	2,274.90
Date: 19/01/2024		
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.50%	2,511.90
Traded in 7 weeks K'm		15,757.70



- 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 bcapenquiries@bsp.com.pg

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