

### 3 Weeks of Upside Trading in Treasury Bills as BPNG continues to offer the 7 Day Fixed Rate Full Allocation (FRFA.

- A total of K400.68m was offered in the T-bill auction this week. There was an oversubscription in the overall auction by an aggregate amount of K257.89m. The 273 bid is stronger proportional to offering, 364 days naturally is higher with higher offering.
- All tenors gained points in the week's auction across the board. Both the 182 & 364 days stocks gained 2 bps as the 273 days stock gained 6 bps.
- Graph 1.0 shows interest rates 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 is remains challenging, based on its assesment of economic fundamentals and broader macroeconomic indicators.
- The Kina Facility Rate (KFR) has reduced by 50 basis points for this month from 3.00% to 2.50%. The reduction aims to support economic growth as inflation remains subdued.
- BSP Treasury monthly market summary 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.

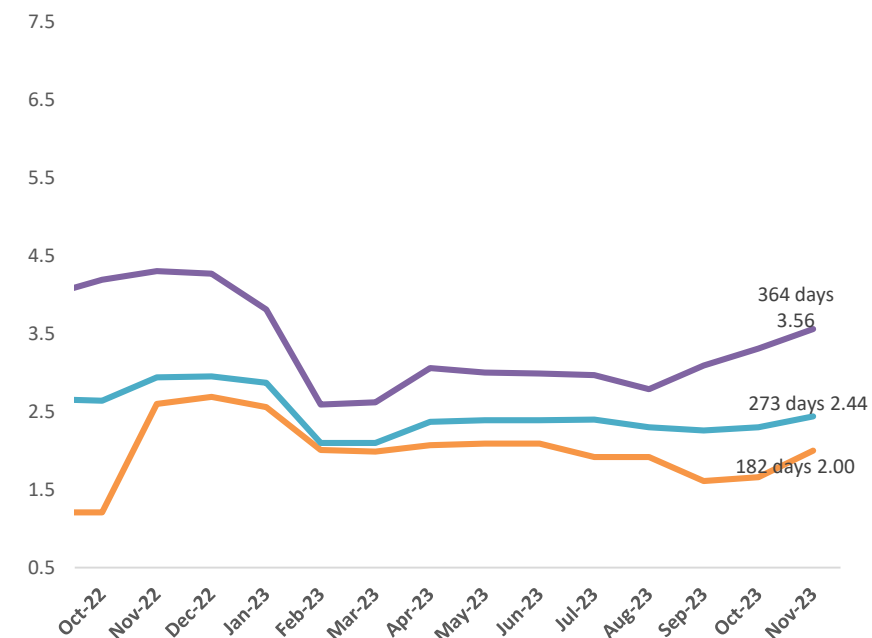
**Table 1.0 – Previous auction results**

Auction results 24th November 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -24/11	2.00%	2.44%	3.56%	
Amount on offer (K'm)	20	50	330.68	400.68
Bids received (K'm)	15	102	541.57	658.57
Successful bids(K'm)	15	15	330.68	360.68
Overall-Subscription rate (%)	0.75	2.04	1.64	1.64

Auction results 17th November 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -17/11	1.80%	2.38%	3.54%	
Amount on offer (K'm)	20	30	303.31	353.31
Bids received (K'm)	0	2	600.03	602.03
Successful bids(K'm)	0	2	303.31	305.31
Overall-Subscription rate (%)	-	0.07	1.98	1.70

Auction results 10th November 2023				
Terms	182 days	273 days	364 days	Total
W.A.Y -10/11	1.80%	2.35%	3.50%	
Amount on offer (K'm)	20	10	294.2	324.2
Bids received (K'm)	20	24	364.81	408.81
Successful bids (K'm)	20	10	283.41	313.41
Overall-Subscription rate (%)	1.00	2.40	1.24	1.26

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 flat across the board.
- 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. Trading in the 7-Day Fixed Rate Full Allocation (FRFA) Central Bank Bill continues.
- The FRFA Auction is exclusive to deposit takers, such as commercial banks, Savings & Loans Societies and Finance Companies. This week saw the fixed rate of 2.00% increased to 2.50%pa, there are specific requirements, and outcome is solely subjected to Bank of PNG's decision.
- This week's FRFA Central Bank Bill auction allocated K2,259.90bn at a fixed rate of 2.50 percent. 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 rate, the short-term liquidity instrument under the Fixed Rate Full Allotment auction has increased by 50 basis points to 2.50 percent with immediate effect (\*FRFA 7 week trading Data).
- The September Treasury Bond issuance was held on the 23rd September 2023. Debt issuance were for 2,3,4,6,7,8,9 and 10 years with a total issuance amount of K510.4m. Coupon rates declined on all the papers.
- GIS appropriation for 2023 have been fully issued as of last month. There will be no issuance for the remainder of the year until further notice.

**Table 2.0 – Financial institutions rates and short term government paper rates as at 24<sup>th</sup> November 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		
<b>Commercial banks</b>																	
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)	0.50%	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%		
<b>ADIs</b>																	
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%	1.00%	1.50%	2.25%	2.50%	2.75%	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%		
<b>Government Securities</b>																	
			182	273	364				182	273	364				182	273	364
Treasury bills (W.A.R)			2.00%	2.44%	3.56%			1.80%	2.38%	3.54%	0.00%	0.00%	0.20%	0.06%	0.02%		
<b>Central Bank</b>																	
			7	14	28	63	91				7	14	28	63	91		
Central Bank bills (W.A.R)	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%		

**Table 3.0 – Long dated government paper rates – last auction results in September 2023**

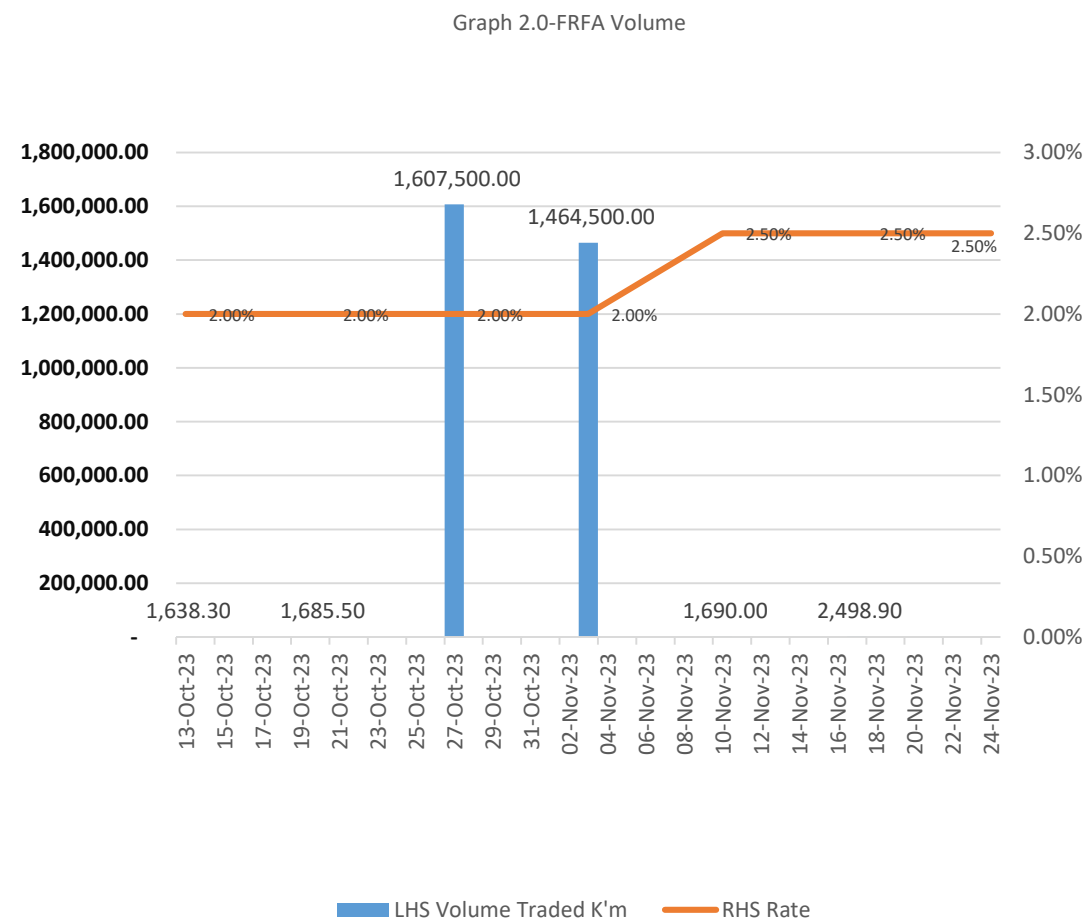
Issuer	Term (years)	Term & rates (Current)								
		2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)	Coupon	4.40%	4.45%	4.60%	0.00%	5.10%	5.40%	5.50%	5.70%	5.76%
	Weighted Average Rates	3.93%	4.16%	4.49%	0.00%	4.99%	5.27%	5.42%	5.56%	5.74%
<i>Auction results from 23/09/23</i>										
Issuer	Term (years)	Term & rates (Previous)								
		2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)	Coupon	4.40%	4.50%	4.70%	0.00%	5.20%	5.50%	5.60%	5.80%	6.00%
	Weighted Average Rates	0.00%	4.19%	4.35%	0.00%	4.98%	5.27%	5.43%	5.61%	5.76%
<i>Auction results from 23/08/23</i>										
		Change/movement								
Term (years)		2	3	4	5	6	7	8	9	10
Treasury bonds (GIS)	Coupon	0.00%	-0.05%	-0.10%	0.00%	-0.10%	-0.10%	-0.10%	-0.10%	-0.24%
	Weighted Average Rates	3.93%	-0.03%	0.14%	0.00%	0.01%	0.00%	-0.01%	-0.05%	-0.02%

\*FRFA 7 week trading data on the following slide.

FRFA was initially offered in August this year at 2.00%, has increase by 50bps in November to 2.5 whilst KFR reduced by 50 basis point from 3.00% to 2.50%.

Table 4.0 – Volume of FRFA traded in 7 weeks

Date: 24/11/2023	Rates (%)	Bids Received
Central Bank	7 Days	K'000
Central Bank bills (W.A.R)	2.50%	2,259.90
<b>Date: 17/11/2023</b>		
Central Bank		
Central Bank bills (W.A.R)	2.50%	2,498.90
<b>Date: 10/11/2023</b>		
Central Bank	7	
Central Bank bills (W.A.R)	2.50%	1,690.00
<b>Date: 3/11/2023</b>		
Central Bank	7	
Central Bank bills (W.A.R)	2.00%	1,464,500.00
<b>Date: 27/10/2023</b>		
Central Bank	7	
Central Bank bills (W.A.R)	2.00%	1,607,500.00
<b>Date: 20/10/2023</b>		
Central Bank	7	
Central Bank bills (W.A.R)	2.00%	1,685.50
<b>Date: 13/10/2023</b>		
Central Bank	7	
Central Bank bills (W.A.R)	2.00%	1,638.30
<b>Traded in 7 days K'000</b>		<b>3,079,512.70</b>



- 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	
<b>BPNG TBOND TAP</b>	CLOSED UNTIL FURTHER NOTICE				

Issuer	Term & rates (Previous)				
Term (Days)	63	91	182	273	364
<b>BPNG TREASURY BILL TAP</b>	CLOSED UNTIL FURTHER NOTICE				

<sup>1</sup> <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](mailto:bcapenquiries@bsp.com.pg)**

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