

Monthly Report.

April 2023



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Monthly Highlights.

+8.22%

Cocoa

Price for cocoa extended its winning streak for a third straight month in April, supported by strong global demand, while supply was low due to crop disease, drought, and shortage in fertilizers and pesticides.

+0.65%

Gold

Gold closed April at \$1,999.10 per ounce, up +0.65% off the back of strong safe-haven demand - as investors grew nervous over economic headwinds. A weaker U.S. dollar also boosted the demand for the bullion.

+11.02%

Coffee

Coffee resumed its positive trend this month, after a brief drop in March. Coffee price surged to 189.85 cents, up +11.02%, as top supplier, Brazil, struggles with production amid unfavorable weather conditions.

**TOTALED
PGK 3.85
BILLION
FX Transaction**

FX transaction totaled PGK3.85 billion in April. About -4.94% lower than the previous month. Meanwhile, BPNG's monthly assistance to the market closed back up after a huge drop in March. Total intervention was PGK350 million.

+1.47%

U.S. Crude
Futures

U.S. crude closed up for the first time this year, after three straight months of declines, driven by expectations of tight supply, as OPEC announced production cuts. A decline in the number of U.S. oil rigs also dented supply outlook.

**ADDED
17 BPS
1-Treasury Bill**

Yield on PNG's 1-year Treasury bill settled 17 bps higher at 3.06%, while total offering in the market fell more than -30%. The Government raised about PGK1.04 billion in April.

Market Commentary.

The month of April saw global shares rise, as bond yields bounced back after seeing a drop in March. Overall, April was less volatile than the previous month; however, uncertainty remains as to whether economies will enter shallow recessions and the likelihood of further interest rate hikes.

There has also been a lot of concerns resulting from the banking failures and bailouts. April witnessed the collapse of First Republic Bank in the U.S, adding more stress to the 2023 banking sector crisis, which seems to be a story that is still unfolding. In the U.S, the general market sentiment is that the Federal Reserve (Fed) will continue to raise rates in the short run, with a high chance that the central bank will pause its policy-tightening phase towards the

end of the year. This view was further supported by economic data showing a decrease in growth and a weakening labor market, amidst moderate inflation over the past few months.

In Europe, growth in the Eurozone was about 0.1% quarter-on-quarter, after Q4 2022 saw almost no growth in the continent. Despite the largest economy in the region (Germany) seeing little growth, economies such as Spain and Italy saw strong growth in April, much of it supported by the services sector.

Shifting our focus to Asia, performance was weak in April as political tensions between China and the West weighed heavy on trade and investment. Demand for consumables have also seen a slight decline as growth in

other parts of the world decreases, thus affecting manufacturers in Asia, especially China. However, demand in other sectors have seen an increase, such as Real Estate and ICT in India, and Nickel in Indonesia - a key raw material in the making of batteries for Electronic Vehicles.

Nevertheless, high inflation continues to be at the forefront of concerns. In January, the International Monetary Fund (IMF) projected global inflation to fall to 6.6% in 2023, but April projections now set it at 7.0%. The global outlook is now more uncertain, with the turmoil in the banking sector adding stress to economies through a tightening of credit via more stringent standards and availability

Kina Bank Outlook.

In April we saw the launch of the Third National Financial Inclusion Strategy (NFIS) 2023-2027, by the Centre for Excellence in Financial Inclusion (CEFI). The policy sets the tone for targets that must be achieved to bank the unbanked population in PNG, which includes reaching 2 million unbanked individuals, establishing 1,500 new access points with 70% network of banking services to rural PNG, and 400,000 participants in Financial Literacy Programs. Kina Bank has committed to this new strategy, along with nine other financial institutions in the country.

Also in April, the Minister for International Trade and Investment,

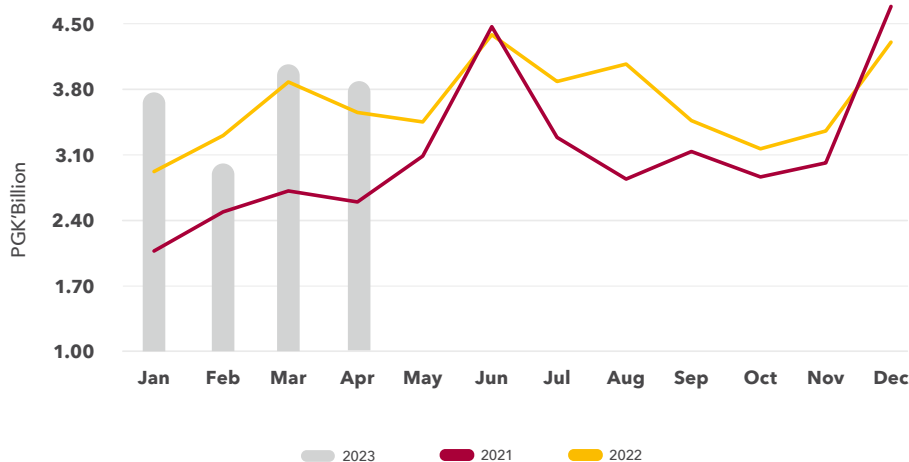
Hon. Richard Maru, tasked the Securities Commission of Papua New Guinea (SCPNG) to formulate a 10-year development plan for PNG's capital markets. A key concern for the government is that a number of large foreign companies, especially in the resources sector, are not trading on the PNGX despite those companies being listed in other jurisdictions and benefiting from having profitable operations in PNG. The government would like to see local listings in order for Papua New Guineans to invest in businesses that are generating wealth from operating in PNG, and for the stock market in PNG to expand. Minister Maru has also stated that he will introduce new legislation in June

sitting of parliament to amend the Securities Commission Act of 2015 and the Capital Market Act of 2015.

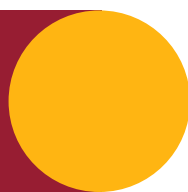
Over the next few months, we are expecting to see some developments in key legislation and policies in the country. As per reports, these include the review of the Oil Palm Industry Corporation Act 1992, the Mining Amendment Bill 2023 to be tabled in the next parliament sitting and the development of the National Agriculture Development Plan by the Department of Agriculture.

PNG FX Market.

Total FX inflows for April dropped by 4.94% month-on-month. Total flows amounted to PGK3.85 billion, with the reduction mostly reflective of a drop in commodity prices, as exporters bring in lower-than-expected returns on their exports. Meanwhile, monthly intervention from BPNG recovered after seeing a -90% drop in March. As per the 2023 March Monetary Policy Statement, BPNG's average monthly intervention is at PGK350 million, and this is expected to be consistent throughout the year.



As the regulator, BPNG normally intervenes with the FX market



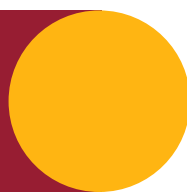
PNG Equities.

The Newmont takeover offer for Newcrest was the main corporate news during the month. The Newcrest board has allowed Newmont to undertake due diligence and it is expected that the offer will progress as the Newcrest board has expressed comfort with the terms of the takeover. Also in April, Newcrest and its venture partner, Harmony Gold, signed a Memorandum of Understanding (MOU) with the PNG government to begin plans towards the signing of a Mining Development Contract for the Wafi-Golpu project. The MOU sets out key terms to be included in the Mining Development Contract, which is a prerequisite for the granting of a Special Mining Lease (SML).

In terms of market performance, PNG equities closed steadily in April, after starting the month on a back foot. The Kina Securities index (KSi) closed flat, while the Home index (subset of KSi) moved +0.84% higher, supported by a strong stock price of Kina Asset Management Limited.

	PRICE*		MONTH		YOY		YTD
PNG Stock Exchange (PNGX)							
Credit Corporation PNG	2.00	-	0.00%	↑	25.00%	↑	5.26%
City Pharmacy Limited	0.95	-	0.00%	-	0.00%	-	0.00%
Kina Securities Ltd (KSL)	2.48	↓	-0.80%	↓	-17.33%	↓	-11.43%
BSP Financial Group Ltd (BSP)	12.80	-	0.00%	↑	4.07%	↑	3.14%
Australian Securities Exchange (ASX)							
Kina Securities Ltd (KSL)	0.73	↓	-2.67%	↓	-17.05%	↓	-4.58%
BSP Financial Group Ltd (BFL)	4.90	↑	0.41%	-	0.00%	↑	7.93%
Newcrest Mining Ltd (NCM)	28.92	↑	7.71%	↑	7.59%	↑	29.63%
Santos Limited (STO)	7.07	↑	2.46%	↓	-11.63%	↓	-0.56%
PNG Market Indices							
KSi	6,286.93	-	0.00%	↑	1.79%	↑	0.12%
KSHi	16,147.21	↑	0.84%	↑	15.75%	↑	3.61%

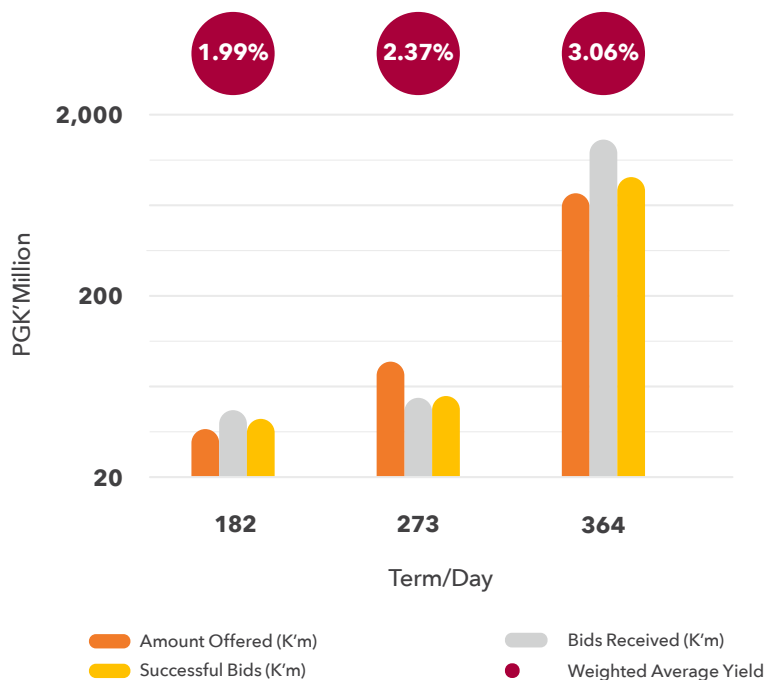
*PNGX prices in PGK; ASX prices in AUD.



PNG Cash & Fixed Income.

The domestic debt market in April saw a significant drop in the amount raised, as the total amount offered to the market dropped by more than -30% from the offering in March. In terms of successful bids, the total capital raised for the month was PGK1,036.9 million, or around PGK1.04 billion, which compared to the total raised in March, is about -24.20% lower than March.

In terms of yields, the 273-day paper moved up 23 basis points (bps) to end the month at 2.37%, while the 364-day paper gained 17bps closing at 3.06%. Even though yields were up, the drop in 'total cash raised' continues to reflect the government's fiscal strategy to seek cheaper concessional loans offshore, and this is weighing heavy on local institutional investors who have the capital to invest yet have limited options domestically.



International Equities.

April was a bullish month for international equities. The closely watched volatility indices in the U.S. and Europe - CBOE Volatility S&P 500 and Euro STOXX 50, both fell more than -30% since mid-March. Favourable economic data and strong quarterly earnings from various multinational corporations backed markets' expectations, which overshadowed concerns over interest rate hikes and the ongoing debate over the U.S. debt ceiling.

The top international equity indices settled higher: the U.S. three major indices (Dow Jones +2.48%, S&P 500 +1.46% and Nasdaq Composite +0.04%) scored strong returns, while Europe's region-wide STOXX 600 closed with a margin of +1.92%. In the Asia-Pacific region, key equity indices also closed up with more than +1% gains during the month.

	Price		MONTH		YOY		YTD
North America							
Dow Jones IA	34,098.16	↑	2.48%	↑	3.40%	↑	0.04%
S&P 500	4169.48	↑	1.46%	↑	0.91%	↑	2.28%
NASDAQ	12,226.58	↑	0.04%	↓	-0.88%	↑	5.54%
Toronto S&P/TSX	20,636.54	↑	2.67%	↓	-0.60%	↓	-0.63%
Europe							
FTSE	7,870.57	↑	3.13%	↑	4.32%	↑	1.27%
DAX	15,922.38	↑	1.88%	↑	12.94%	↑	5.25%
CAC 40	7,491.50	↑	2.31%	↑	14.66%	↑	5.78%
Asia							
Nikkei	28,856.44	↑	2.91%	↑	7.48%	↑	5.60%
Hang Seng Index	19,894.57	↓	-2.48%	↓	-5.67%	↓	-8.92%
Shanghai Composite	3,323.28	↑	1.54%	↑	9.06%	↑	2.08%
Sensex	61,112.44	↑	3.60%	↑	7.10%	↑	2.62%
S&P/ASX 200	7,309.15	↑	1.83%	↓	-1.69%	↓	-2.24%

International Cash & Fixed Income.

Central banks indicated more tightening of monetary policy, amidst ongoing inflation pressures. The shocks caused by the banking crisis in the U.S. in March have potentially made central banks more cautious around interest rate increases, however, we believe there remains a firm increasing bias. Regulators and policymakers have made it clear that their priority remains in keeping inflation low.

For fixed income, the 10-year U.S. Treasury yield lost 1bps to 3.42% but was 17bps higher than last year's yield. The U.K.'s 10-year gilt added 7bps to end April at 3.72%. Meanwhile, in Australia, the 10-year paper closed up at 3.34%, with investors expecting more increases to the cash rate in the

10 Year Government Bond Yields							
COUNTRY	YIELD		MONTH		YOY		YTD
United States	3.42%	↓	-0.01	↑	0.17	↓	-0.02
United Kingdom	3.72%	↑	0.07	↑	0.95	↑	0.12
Australia	3.34%	↑	0.01	↑	0.07	↓	-0.06
New Zealand	4.09%	↓	-0.03	↑	0.12	↓	-0.02
France	2.89%	↑	0.03	↑	0.98	↑	0.05
Japan	0.39%	↑	0.13	↑	0.71	↓	-0.21

coming months, with expectations now reaching above 4% by August. Closer to home the Australian economy remains resilient despite elevated inflation and a series of interest rate increases.

Commodities.

Investors looked to precious metals for shelter amidst a combination of headwinds. A strong safe-haven demand for gold kept prices firm and biased to the upside for a second successive month. Gold settled +0.65% higher at \$1,999.10 per ounce, while silver soared to \$25.23 per ounce, up by +4.41%. Agricultural commodities also increased, mainly coffee (+11.02%) and cocoa (+8.22%) prices, as a confluence of poor weather patterns, crop disease, and fertilizer and pesticide shortages continued to hamper global supply. Meanwhile, palm oil prices fell, with a 2.98% loss.

Elsewhere, energy markets were subdued, as both Brent crude (-0.29%) and Liquefied natural gas (-14.57%) registered their fourth straight month of losses, while U.S. crude rose for the first time in three months, backed by OPEC's output cuts and a reduction in U.S. oil rigs - an indicator of future output. Base metals also had a tough run in April,

	PRICE (USD)		MONTH		YOY		YTD
Agriculture							
Coffee (US cents/lb)	189.85	↑	11.02%	↓	-14.69%	↑	4.46%
Cocoa (US\$/mt)	3,174.00	↑	8.22%	↑	22.22%	↑	22.98%
Palm Oil (RM/tn)	3,937.00	↓	-2.98%	↓	-48.76%	↑	5.83%
Energy							
Brent Crude (US\$/bbl)	79.54	↓	-0.29%	↓	-27.25%	↓	-5.86%
LNG (US\$/mmBtu)	11.55	↓	-14.57%	↓	-52.91%	↓	-39.29%
Light Crude WTI Futures (US\$/bbl)	76.78	↑	1.47%	↓	-26.66%	↓	-2.65%
Precious Metals							
Gold (US\$/oz)	1,999.10	↑	0.65%	↑	4.57%	↑	2.77%
Silver (US\$/oz)	25.23	↑	4.41%	↑	9.27%	↑	5.83%
Base Metals							
Copper (US\$/lb)	3.89	↓	-4.88%	↓	-11.75%	↓	-7.94%
Iron Ore (US\$/mt)	106.98	↓	-11.81%	↓	-17.98%	↓	-9.40%

owing to weaker manufacturing activity in China. Copper settled -4.88% lower at \$3.89 per pound, while iron ore dipped -11.81% at \$106.98 per metric ton.

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