

Monthly Report.

June 2023



kinabank

Together it's possible

Monthly Highlights.

Newmont intends to list on PNGX

Newmont Corporation announced its intention to list on the PNGX. This follows Newmont's acquisition of Newcrest Mining, which is scheduled to be completed by Q4/2023. This is welcome news for the local stock exchange, with International Trade and Investment Minister, Hon. Richard Maru encouraging more resource companies to list domestically.

-2.7% Gold drops

Gold dropped -2.7% to \$1,929.40 per ounce, which was weighed on by a strong U.S dollar that led to investors preferring the greenback to the precious metal. Despite the price movements, the PNG government will continue to see high tax revenue as long as price stays above \$1,800 per ounce mark, given Treasury Department's forecast of \$1,812 per ounce in 2023.

PGK/USD interbank rate falls by 20 bps

The PNG Kina interbank rate fell by 20 basis points to 28 cents a Kina, as BPNG continues to allow the domestic FX market to correct its structural imbalance between FX import orders for foreign currency and PGK demand..

+3% Crude Oil Futures gains

The price for Crude oil futures climbed more than +3% higher on supply concerns. Brent crude futures gained +3.1% to \$74.90 per barrel, while U.S crude futures closed at \$70.64, up by +3.8%. However, prices are trending below what the PNG government had forecasted in its 2023 budget.

+6.3% FX Transaction volumes up

FX transaction totaled PGK5.2 billion in June, an increase of +6.3% from PGK4.9 billion from the previous month. BPNG also assisted the market with PGK0.4 billion (USD\$99.9 million). BPNG has now intervened into the FX market with PGK2.6 billion during the first half of 2023.

+10.3% Cocoa growth

Cocoa settled sharply higher in June, adding +10.3% to \$3,318 per metric tons. The price was backed by tight output, owing to crop disease and heavy rainfalls. This will be a welcoming news for cocoa farmers in PNG.

Market Commentary.

FX market starts its correction

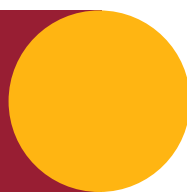
The PGK/USD interbank dropped another 20 basis points for the second consecutive month, closing June at 0.2800. The current trajectory seems to have been triggered by the large intervention of PGK0.969 billion into the market in May. In June, total FX market turnover totalled PGK5.5 billion, with BPNG providing further intervention with PGK0.4 billion to clear import orders. We expect the interbank to continue to gradually depreciate, as the exchange rate starts to 'correct' its current levels, which is 'overvalued' relative to its market demand.

During the past month, there have been mixed feelings within the business community around the involvement of the International Monetary Fund (IMF) to assist PNG's current fiscal and monetary policy challenges. In March, PNG and the IMF agreed for an arrangement under the IMF's Extended Credit Facility and an Extended Arrangement under the Extended Fund Facility, totalling US\$918. There have been assumptions that the IMF's involvement will suddenly lead to the PGK depreciating. To date, we still see the Central Bank and market participants working together to act sensibly to manage any short-term depreciation to avoid wider shocks to the system. The IMF and PNG Government

also agreed to "a sequenced roadmap for reforming exchange rate operations and regulations...to make the exchange rate more flexible in the medium-term to support Kina convertibility, which (authorities) believe will help address pressing issues like the recent fuel supply constraints. The roadmap will be established with the support of IMF Technical Assistance to bring needed improvements in the monetary policy operations framework".

Free Trade Agreements

PNG is currently in the process of completing 2 separate feasibility studies to establish Free Trade Agreements with China and Australia, respectively. A June article in the Lowy Institute by Maholopa Laveil reported that even though "PNG enjoyed a PGK1 billion (AU\$380 million) trade surplus with Australia in 2021, agriculture exports account for less than 2% of PNG's exports to Australia, while minerals dominate. Domestically, agriculture is important, contributing 17% of GDP and employing the largest number of Papua New Guineans formally and informally." The progress of these FTA's in the coming months will certainly be of interest to PNG businesses that trade with both countries.



Kina Bank Outlook.

Stable outlook for second half of 2023

The World Bank released its Global Economic Prospects Report in June, announcing a downward forecast revision of global real GDP from 3.1% last year to 2.1% in 2023. In terms of its predictions for domestic macroeconomic conditions, the Bank predicts that PNG's growth will be 3.7% this year, and grow a further 4.5% in 2024. This is a slightly more bullish forecast than that of the Bank of PNG, who forecasted in their March Monetary Policy Statement for 3.2% growth in 2023, driven mostly by debt-financed Government spending and private sector credit.

Inflation to remain steady

In terms of inflation, the World Bank reports that 'global food and energy prices and declining shipping costs' are helping to cool price pressures across the East Asia Pacific region, particularly in some of PNG's major

trading partners including China and Singapore. Consumer watchdog, the Independent Consumer and Competition Commission (ICCC), also believes that a dampening in global food prices (according to the Food & Agricultural Organization) will transmit to a slowdown in imported food prices over the next 6 months. The ICCC also announced that it would be working with the Government to extend the current exemptions on fuel tax. The tax exemptions had been in place to the first half of this year - but the ICCC has indicated that it is in talks with Government to extend this towards the end of the year to help businesses and households.

New Pacific Engagement Visa to commence in July

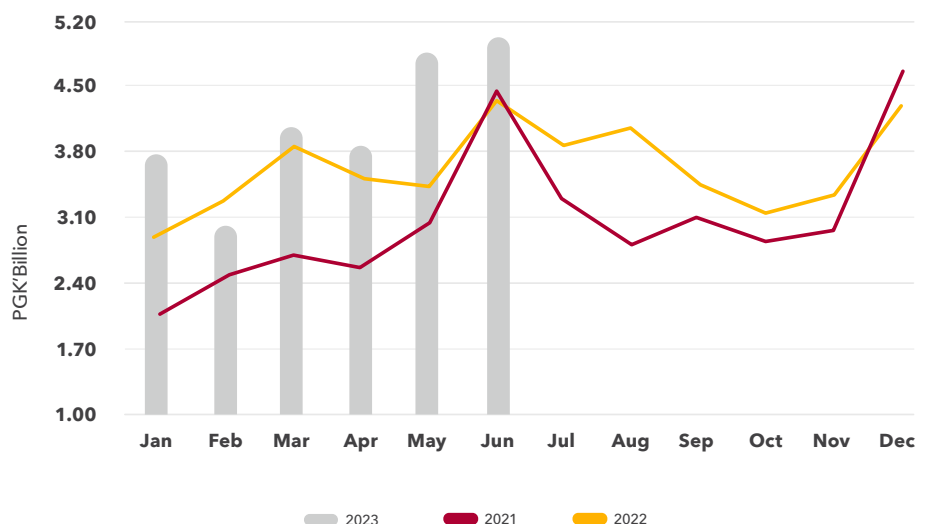
Eligible workers across the Pacific and Timor-Leste are set to benefit from the Australia's new Pacific Engagement Visa

(PEV) which was reported to commence in July 2023. Current visa arrangements only allow workers to temporarily fill labour shortages. Under the new PEV scheme, successful applicants who will be selected through a 'ballot' process will be provided Permanent Residency visa status. This new initiative is predicted to have long-lasting effects on the movement of skilled labour between participating countries (including PNG) and Australia.

PNG FX Market.

Following a drop of 20 basis points during May, the PGK/USD interbank exchange rate dropped a further 20 basis points in June to close out the month at US\$0.28 cents to the Kina. During the first half of this year, the Kina interbank dropped by a total of 40 basis points, or 1.41%. In terms of its support to the local market to clear import orders, the Central Bank has also provided added support this year, with a large intervention of PGK0.969 billion in May, followed by PGK0.4 billion in June. Average annual intervention to the market since 2019 to 2022 was PGK2.3 billion - whilst the total intervention for the first 6 months of this year is already at PGK2.6billion.

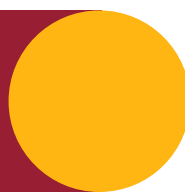
After a long period of no movement, the PGK FX market has seen two consecutive months of depreciation. We anticipate that the depreciation



As the regulator, BPNG normally intervenes with the FX market

will continue between 25 - 30 basis points per month, which would see a PGK/USD interbank level between PGK/USD 0.2600 - 0.2650 by the end

of this year. In terms of the Aussie dollar, we anticipate the PGK/AUD cross-rate to trade within the range of 0.3900 - 0.4100 over the next quarter.



PNG Equities.

The Fiji National Provident Fund (FNPF) has increased its stake in BSP, after it entered into a 'Share Sale Agreement' with the International Finance Corporation (IFC) and the IFC Equity Fund, where FNPF will acquire ~5.5 million units of BSP stocks on an off-market transaction. The acquisition will bring FNPF share holdings to 46 million (9.85%), making it the 4th largest shareholder of BSP.

U.S based mining company, Newmont Corporation announced that it has plans to list on PNG Stock Exchange (PNGX). Newmont made this known to the Government, after International Trade and Investment Minister, Richard Maru cast doubts over Newmont's listing on PNGX. The Newmont-Newcrest transaction is expected to complete in Q4 2023.

PNG stock market closed up from last month's drop, ahead of the first quarter earnings season. The Kina Securities

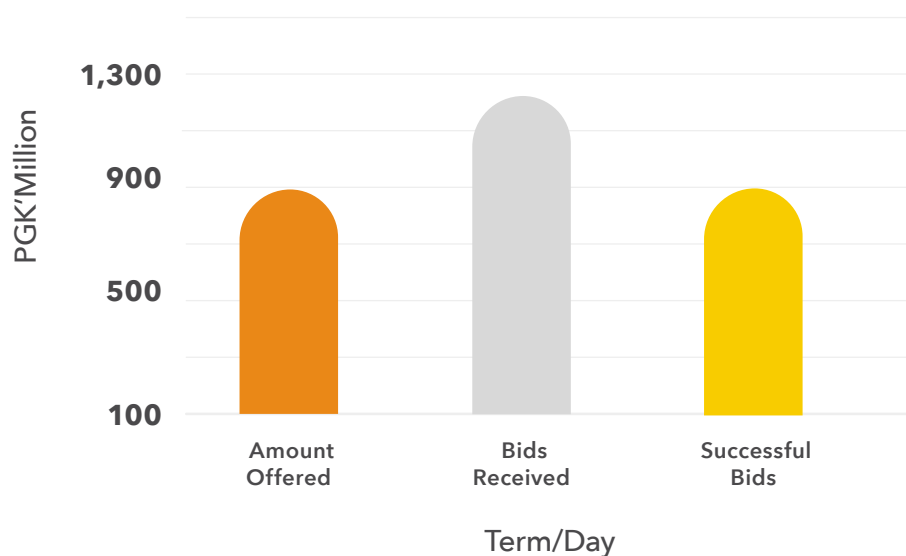
index, a measure of PNG's 12 publicly listed companies, edged +0.05% higher off the back of financial and resource stocks. Total volume exchanged on PNGX was 1.2 million during June, compared to 3.8 million in May.

	PRICE*		MONTH		YOY		YTD
PNG Stock Exchange (PNGX)							
Credit Corporation PNG	2.00	↑	0.50%	↑	8.11%	↑	5.26%
Kina Assetmanagement Limited (<i>KAM</i>)	0.85	↓	-10.53%	↓	-15.00%	↓	-10.53%
Kina Securities Ltd (<i>KSL</i>)	2.40	↑	9.09%	↓	-20.00%	↓	-14.29%
BSP Financial Group Ltd (<i>BSP</i>)	19.11	↑	0.05%	↑	0.58%	↑	0.05%
Australian Securities Exchange (ASX)							
Kina Securities Ltd (<i>KSL</i>)	0.74	↓	-1.33%	↓	-8.07%	↓	-3.27%
BSP Financial Group Ltd (<i>BFL</i>)	4.86	↑	1.25%	↓	-1.82%	↑	7.05%
Newcrest Mining Ltd (<i>NCM</i>)	26.42	↑	2.84%	↑	26.47%	↑	18.42%
Santos Limited (<i>STO</i>)	7.52	↑	3.16%	↑	1.35%	↑	5.77%
PNG Market Indices							
KSi	6,287.43	↑	0.05%	↑	0.38%	↑	0.13%
KSHi	15,552.26	↑	0.06%	↑	1.27%	↓	-0.21%

*PNGX prices in PGK; ASX prices in AUD.

PNG Cash & Fixed Income.

In June, the domestic debt market raised only PGK896 million for the government, as there were no offers for the 182-day and 273-day papers. The yield for the 364-day paper remained steady at 2.99%, with the total amount offered (PGK896 million) being -9.28% less than the previous month. Bids received (PGK1.19 billion) decreased by -33.56% compared to the previous month, with the market being oversubscribed by 28.53%. This over-subscription, along with maturities exceeding the amount offered, suggests a reduced appetite for cash. In summary, the government is effectively implementing its debt restructuring strategy by paying off domestic debt and funding expenses with more concessional foreign debt.



International Equities.

International equity markets showed resilience amidst a turmoil of more interest rate hikes, inflation, weak China data, and recession worries during June. In developed markets, equities settled at +5.93% higher than the May levels, while emerging markets registered a total return of +3.23%.

The global market sentiment has improved tremendously over the last few months, which plays a large part in this month's equity performance. Looking ahead, investors will continue to rely on the underlying strength of the U.S. economy and policy stimulus from China.

In North America, top equity benchmarks closed above +2% return (Dow +4.56%, S&P 500 +6.47%, NASDAQ +6.59%, and Toronto S&P/ SX +2.98%), while Europe's region-wide STOXX 600 index climbed +2.25% on the month. Asia-Pacific equities also moved higher, with the MSCI Asia-Pacific index closing near +3% in return.

	PRICE		MONTH		YOY		YTD
North America							
Dow Jones IA	34,407.60	↑	4.56%	↑	11.80%	↑	0.94%
S&P 500	4,450.38	↑	6.47%	↑	17.57%	↑	9.17%
NASDAQ	13,787.92	↑	6.59%	↑	25.02%	↑	19.02%
Toronto S&P/TSX	20,155.29	↑	2.98%	↑	6.86%	↓	-2.95%
Europe							
FTSE	7,531.53	↑	1.15%	↑	5.05%	↓	-3.09%
DAX	16,147.90	↑	3.09%	↑	26.32%	↑	6.74%
CAC 40	7,400.06	↑	4.25%	↑	24.94%	↑	4.48%
Asia							
Nikkei	33,189.04	↑	7.45%	↑	25.75%	↑	21.45%
Hang Seng Index	18,916.43	↑	3.74%	↓	-13.46%	↓	-13.40%
Shanghai Composite	3,202.06	↑	-0.08%	↓	-5.78%	↓	-1.65%
Sensex	64,718.56	↓	3.35%	↑	22.07%	↑	8.68%
S&P/ASX 200	7,203.30	↑	1.58%	↑	9.67%	↓	-3.66%

International Cash & Fixed Income.

Global bond yields increased in June as central banks signaled further interest rate hikes. The U.S. and U.K.'s 10-year bond yields rose by 5 basis points, while Australia's 10-year yield increased by 12 basis points. Investors sought safe assets amid mixed economic signals, though emerging market debt struggled due to elevated credit risk. The major central bank leaders warned that interest rates will need to rise further in the second half of the year and an economic downturn is possible. European Central Bank President, Christine Lagarde, said that current interest rate levels are not enough to curb higher wage demands and that rates may increase in July. She commented that rates will need to stay high for long enough to "break this persistence" of inflationary pressures.

Both the U.S. Federal Reserve and the Bank of England stated that their current

10 Year Government Bond Yields							
COUNTRY	YIELD		MONTH		YOY		YTD
United States	3.84%	↑	0.05	↑	0.27	↑	0.09
United Kingdom	4.39%	↑	0.05	↑	0.97	↑	0.32
Australia	4.02%	↑	0.12	↑	0.10	↑	0.13
New Zealand	4.62%	↑	0.08	↑	0.20	↑	0.11
France	2.93%	↑	0.03	↑	0.53	↑	0.07
Japan	0.40%	↓	-0.08	↑	0.74	↓	-0.19

policies have not been restrictive enough. Though the Fed left rates unchanged in July, there was a strong indication that more hikes are coming this year. This saw bond yields rise, weighing on existing bond prices. Short and medium-term U.S. bond yields hit multi-year highs due to strong labor and GDP data. However,

yield curve inversions near decade-high levels point to economic risks. Going forward, bond markets will watch inflation, economic indicators, and geopolitical news for clues. Volatility is likely to remain high, though bonds may benefit if growth concerns continue to mount.



Commodities.

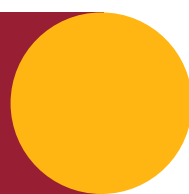
Cocoa prices increased substantially on supply constraints and unfavourable weather in cocoa growing regions. Côte d'Ivoire saw lower cocoa arrivals and heavy rains that threatened crops, while increases in Ghana and Brazil were not enough to offset declines in Côte d'Ivoire. This resulted in a global cocoa supply deficit driving prices.

For coffee, prices continued to fall in June due to factors like a stronger U.S. dollar, many short contracts in Robusta coffee, and higher exports from Colombia and Brazil.

Energy stock prices rose in June as U.S. crude oil stockpiles declined and gasoline demand strengthened. The lower oil inventories meant oil supply was less than expected, pushing prices up. Meanwhile, robust gasoline consumption indicated increasing demand derived from crude oil. These factors likely impacted natural gas prices as well. In summary, shrinking crude supplies and strong gasoline demand mainly drove the rise in energy stocks.

For metals, gold prices have been volatile recently. Although gold dropped over \$80 last quarter, it has remained above the \$1,900 per ounce line. This resilience has surprised analysts. However, for meaningful gains, gold needs an equity market rally and a weaker U.S. dollar.

	PRICE (USD)		MONTH		YOY		YTD
Agriculture							
Coffee (US cents/lb)	161.00	↓	-9.88%	↓	-31.08%	↓	-11.42%
Cocoa (US\$/mt)	3,318.00	↑	10.34%	↑	44.83%	↑	28.55%
Palm Oil (RM/tn)	3,751.00	↑	15.24%	↓	-26.28%	↑	0.83%
Energy							
Brent Crude (US\$/bbl)	74.90	↑	3.08%	↓	-34.76%	↓	-11.35%
LNG (US\$/mmBtu)	12.24	↑	31.83%	↓	-68.34%	↓	-35.66%
Light Crude WTI Futures (US\$/bbl)	70.64	↑	3.75%	↓	-33.21%	↓	-10.43%
Precious Metals							
Gold (US\$/oz)	1,929.40	↓	-2.66%	↑	6.76%	↑	-0.82%
Silver (US\$/oz)	23.02	↓	-2.40%	↑	13.11%	↓	-3.42%
Base Metals							
Copper (US\$/lb)	3.76	↑	3.37%	↑	1.33%	↓	-11.04%
Iron Ore (US\$/mt)	108.92	↑	10.19%	↓	-6.64%	↓	-7.76%



Kina Bank Wealth Management.

EGM | Wealth Management & Corporate Advisory

Deepak Gupta
deepak.gupta@kinabank.com.pg

Head of Investments

Michael Rook
michael.rook@kinabank.com.pg

Manager | Research & Analysis

Gareth Rus
gareth.rus@kinabank.com.pg

Senior Economist

Moses David
moses.david@kinabank.com.pg

Senior Investment Analyst

David Menjawi
david.menjawi@kinabank.com.pg

Investment Analysts

Max Kasening
max.kasening@kinabank.com.pg

Team Leader | Client Portfolio Services

Mareta Kokiva
mareta.kokiva@kinabank.com.pg

Senior Client Portfolio Services officer

Kimberly Melegepa
kimberly.melegepa@kinabank.com.pg

Client Portfolio Services officer

Fatima Ai'io
fatima.ai'io@kinabank.com.pg

Economics

Karo Tuva
karo.tuva@kinabank.com.pg

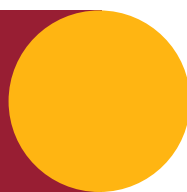
Joshua Sialis
Joshua.Sialis@kinabank.com.pg

Shares

Vera Saisagu
Goldstein Napitalai
wealth@kinabank.com.pg

Administration Coordinator

Dagu Hebore
dagu.hebore@kinabank.com.pg



Disclaimer.

General Disclosure

This report is for our clients only. All information contained herein is obtained by Kina Funds Management Limited (KFM) and/or Kina Group of Companies (Kina Group) from sources believed by it to be accurate and reliable. Whilst every care has been taken in the compilation of this Report and all information is believed to be accurate, No liability is accepted by KFM and/or Kina Group or its subsidiaries, or any of their officers, employees or agents for any errors or omissions in this Report. All information is provided "as is" without warranty of any kind and KFM and/or Kina Group, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, or fitness for any particular purpose of any such information. Opinions and recommendations are subject to change without notice and cannot be relied on without independent confirmation. This report is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of investments referred to in this research and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange rates could have adverse effects on the value or price of, or income

derived from, certain investments. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. This document is confidential and intended only for authorised clients of KFM and/or Kina Group.

Conflict Disclosure

KFM and/or Kina Group, its Directors, officers, employees or agents may own shares in the Companies stated in this Report, but under no circumstances shall KFM and/or Kina Group have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstances or contingency within or outside the control of KFM and/or Kina Group or any of its Directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication, or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory, or incidental damages whatsoever (including without limitation, lost profits), even if KFM and/or Kina Group is advised in advance of the possibility of such

damages, resulting from the use of or inability to use any such information. Past performance of Companies reviewed herein are not, and should not be held as indicators of the of the entities future performance. The information contained herein is, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. KFM and/or Kina Group may seek to do business with companies mentioned in research reports. Accordingly, KFM and/or Kina Group employees and/or directors may have a conflict of interest. Investors should be aware of this potential for conflicts of interest, and should consider KFM and/or Kina Group research reports as just one aspect of their investment decisions.