

Monthly Report.

June 2024



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Monthly Highlights.

NEWMONT DECLARES A DIVIDEND OF 25 U.S CENTS FOR Q1

The Board of Newmont Corporation declared a dividend of 25 U.S cents per share for Q1. The dividend was paid to the shareholders on 27th June.

COFFEE PRICES INCREASED IN JUNE

Anticipated supply shocks in Indonesia and Vietnam kept coffee prices higher in June. An appreciating Brazilian currency is also keeping global supply conditions tight

KSI EXTEND GAINS BY +0.44%

The Kina Securities index rose +0.44% in June, backed by gains in banking, industrial and oil & gas stocks. In terms of volumes, the local bourse recorded the largest volume of trades for a month this year (8.16 million units), an increase of +350% compared to an average of 1.82 million units over the first five months of 2024.

PGK/USD CONTINUES TO DROP

As the Kina depreciation continued in June, market activity seems to have picked up with more market inflows filling in more orders and helping to alleviate waiting times. While the structural issues still remain, the situation seems to be heading in the right direction.

T-BILL YIELDS REACH RECORD HIGHS

Yields for both the 182-day and 1 year T-Bills both recorded their highest, at 3.00% and 4.35% respectively, as the auctions for June reach a 96.20% success rate amidst rising demand for shorter term gov't securities.

YIELDS DROP AMIDST RATE CUT EXPECTATIONS

Yields for global treasury bonds drop as investor's factor in expectations of rate cuts due to signs of easing inflation in developed markets. However, prices in the U.S still show stickiness.

Market Commentary.

Activity on the PNG equities market was very busy with market turnover volumes very high, as a BSP shareholder looks to divest its shares. Dual-listed Newmont also announced its Q1 dividends. In commodities, coffee prices continue to gain momentum heading into the second half of the year with global coffee supply still structurally fragile this year. Global LNG and oil prices also had a strong month, which should help the Government's fiscal position.

Outlook.

As the PGK/USD continues on its downward 'crawl', an important variable to follow will be the movement of the Australian dollar. This AUD movement will be influenced by the Reserve Bank of Australia (RBA) as it monitors data on Australian consumption and price activity to determine its monetary policy stance, which will impact the AUD/USD exchange rate. Current AUD/USD levels have been hovering around 0.6700 -

0.6900, which translates to a PGK/AUD cross-rate range of 0.3890 to 0.3950. Given the PGK/USD trend, bullish expectations on the AUD towards the end of this year (which would be a result of lower USD interest rates) could see the PGK/AUD cross-rate below 0.3700.

On the domestic macroeconomic front, major announcements in July will include the completion of the

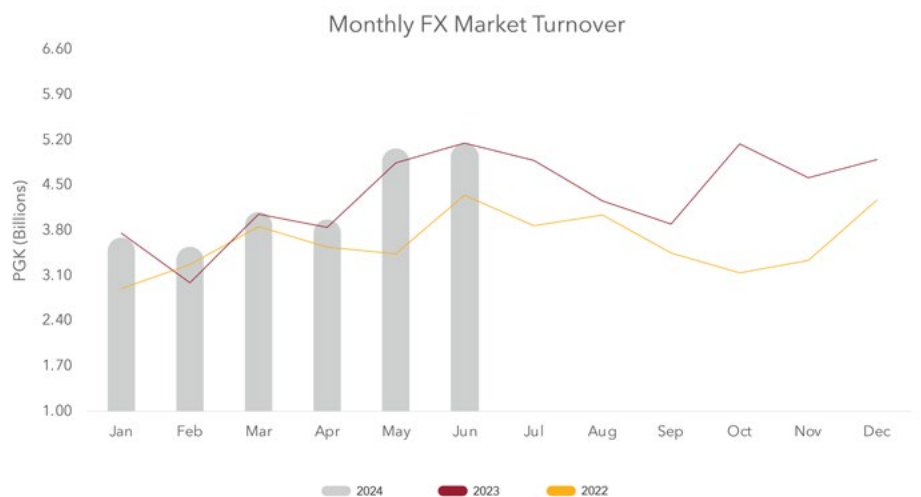
second review of the IMF's current Staff Monitored Program, as well as the Treasurer's release of the Mid-Year Economic & Fiscal Outlook (MYEFO). This will provide further guidance on the prospects of a Supplementary Budget, as well as the current fiscal position heading into the 2025 Budget preparations.

PGK FX Market.

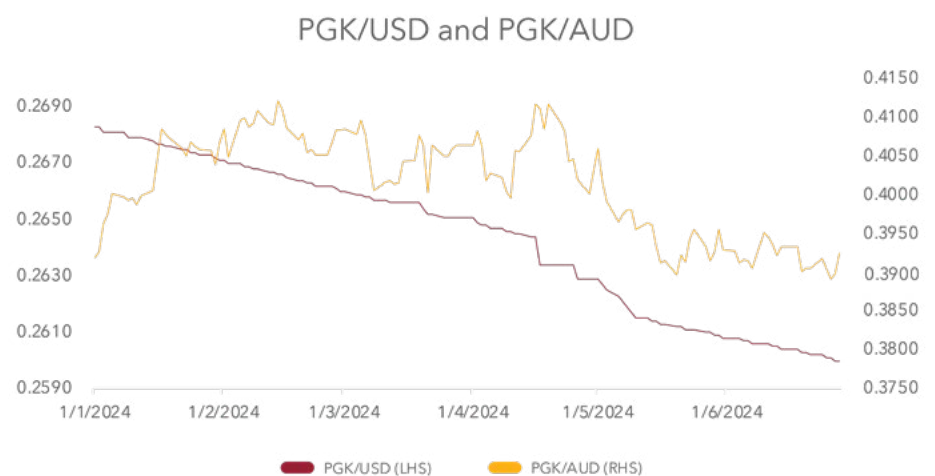
June was another busy month for the FX market with total FX turnover exceeding PGK5 billion for the second consecutive month, making it the second highest month in terms of market activity. When excluding the Bank of PNG's market intervention (PGK94 million), June was the highest month in terms of market activity and inflows.

The BPNG's new 'crawling peg' regime continued with the PGK/USD dropping another 8 basis points (in random 1-point movements) during the month. While the timing of this unidirectional movement is uncertain, the increased FX market turnover seems to have coincided with this movement.

While the PGK/USD rate dropped to 0.2600 with expectation of 0.2580 in the next month, the PGK/AUD cross-rate has been trading within the range of 0.3890 to 0.3950. Despite the PGK/USD depreciation, the U.S dollar strength against global major currencies (AUD included) has meant that the cross-rate remains slightly elevated with the PGK depreciation being off-set with AUD weakness against the USD.



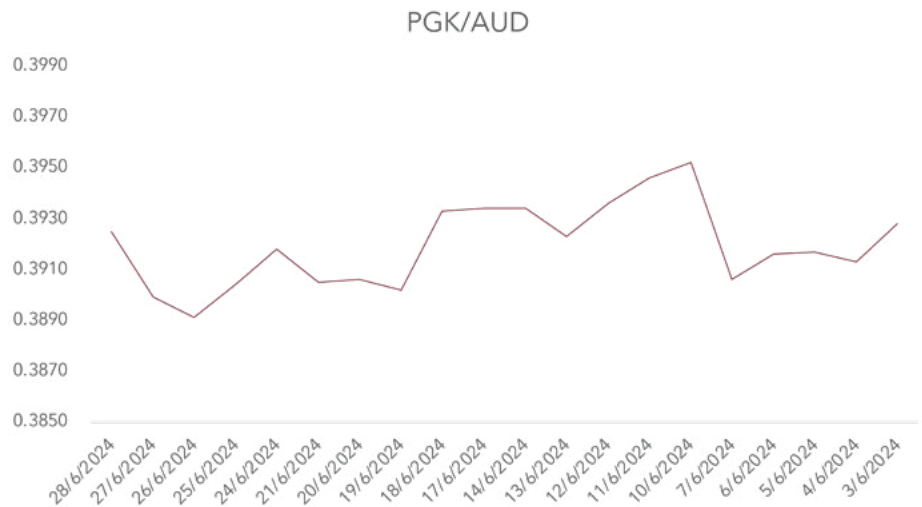
Source: Bank of Papua New Guinea; KFM Economics



PGK FX

Market cont.

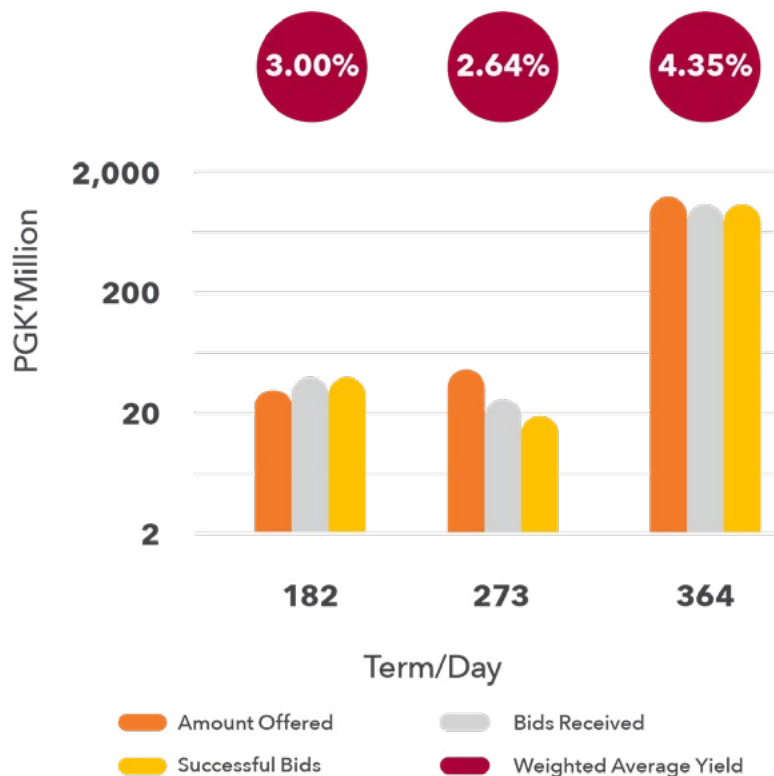
The medium-term risk for PNG importers of AUD will be in the coming months if US interest rates drop and Australian interest rates increase and attract capital, which will mean an AUD/USD appreciation, and by extension, the PGK/AUD starting to dip. We anticipate in July this could be around the PGK/AUD 0.3700 - 0.3750 range.



PNG Cash & Fixed Income.

The domestic debt market saw high activity during the month for Treasury Bills (T-Bills), with yields reaching their highest since 2023. Yields for both the 182-day and 1 year T-Bills both recorded their highest, at 3.00% and 4.35% respectively. For the 182-day, this was an increase of +22.95% since January 2023, and a +28.32% increase for the 1 year T-Bill over the same period. This resulted in an over subscription of K16.35 million for the 182-day paper, as investors responded to an increase in rates for a shorter term.

However, across all tenors, T-Bills saw an under subscription of K71.16 million, with a total value of K885.74 million raised in successful bids. While the total amount raised was lower than the previous month, the June auctions achieved a higher success rate of 96.20% compared to 80% in May.



PNG Cash & Fixed Income cont.

For Treasury bonds or Government Inscribed Stocks (GIS), the amount raised was lower than expected, with an under subscription of K369.5 million, raising only K130.5 million from a total offering of K500 million. This makes it the fourth month in a row that auctions have not met their targets. This is also the highest shortfall of the year so far. In total, the auctions this year have only

raised K2.4 billion compared to the K3.4 billion that the government had hoped for.

Compared to the previous auctions, investors continue to show little to no interest at all in longer dated bonds, specifically those maturing in 5 to 10 years. From June's auction results, the 2 and 3 year bonds were fully allocated,

indicating a demand for shorter term securities. However, based on trends seen thus far, it is reasonable to anticipate that the central bank may adjust its approach to future auctions in order to bolster investor participation levels. Specifically, the under subscriptions due to soft demand could potentially drive incremental rate increases in future auctions.

International Cash & Fixed Income.

In June, the European Central Bank became the first major central bank to cut its cash rate target (0.25%), after significant monetary tightening in 2022-2023. While this cut was signaled in advance, it failed to provide the positive catalyst hoped for, as messaging emphasized caution around future rates given sticky European inflation.

Inflation in the Eurozone unexpectedly rose in May, led by services. Some experts argue that prices in this sector are prone to remain high even as other indicators improve in the "last mile" of inflation. However, other experts also question how stubborn inflation will be or how different this cycle will be from past ones.

For the U.S, despite a small decline in core inflation measures, prices still show stickiness. As a result, markets lowered expectations for the Federal Reserve (Fed) to 0-1 rate cuts this year from

10 Year Government Bond Yields						
COUNTRY	YIELD		MOM		YOY	YTD
United States	4.40%	↓	-0.02	↑	0.15	↑ 0.12
United Kingdom	4.17%	↓	-0.03	↓	-0.05	↑ 0.09
Australia	4.31%	↓	-0.02	↑	0.07	↑ 0.07
New Zealand	4.67%	↓	-0.03	↑	0.01	↑ 0.02
France	3.30%	↑	0.05	↑	0.13	↑ 0.21
Japan	1.06%	↓	-0.01	↑	1.64	↑ 0.37

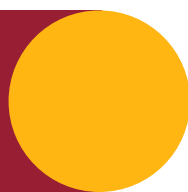
Source: Bloomberg

1-2 previously.

Interest rates on the 10-year Treasury bonds have risen more than 40 basis points in the past two months, bottoming in June at 4.40%.

In the UK, inflation hit the 2% target in May as expected. This supported expectations for rate cuts, but services inflation remains uncomfortably high

at 5.70%. The Bank of England faces difficulty controlling this sector's prices based on the past decade. While headline and core inflation move in the right direction, services lag, though they are edging lower, as the 10-year gilt yields drop to 4.17%, market pricing appears fair.



International Equities.

North America

Share markets in North America closed higher from May's gains, as softer-than-anticipated economic reports—including labor market and retail sales data—reaffirmed expectations that the U.S. Federal Reserve (Fed) will start loosening its monetary policy rate. The three major U.S. stock benchmarks closed over +1% in return: the Dow Jones up +1.11%, the S&P 500 added +3.41%, and the Nasdaq Composite gained +5.79%. In Canada, the S&P/TSX Composite index slipped -1.78%, dragged down by a fall in communication stocks.

Europe

European share markets struggled to maintain momentum during June, even after the European Central Bank's interest rate cut of 25 basis points earlier in the month. This was the result of investor sentiment being dimmed by political uncertainties, Middle East tensions, and concerns about the European Union's new tariffs on imported Chinese electrical vehicles. Major regional equity indices closed more than -1% lower:

	PRICE (USD)		MONTH		YOY		YTD
North America							
Dow Jones IA	39,118.86	↑	1.11%	↑	13.69%	↑	2.51%
S&P 500	5,460.48	↑	3.41%	↑	22.70%	↑	11.95%
NASDAQ	17,732.60	↑	5.79%	↑	28.61%	↑	15.65%
Toronto S&P/TSX	21,875.79	↓	-1.78%	↑	8.54%	↑	3.98%
Europe							
FTSE	8,164.12	↓	-1.35%	↑	8.40%	↑	6.76%
DAX	18,235.45	↓	-1.43%	↑	12.93%	↑	7.58%
CAC40	7,479.40	↓	-6.64%	↑	1.07%	↓	-2.34%
Asia							
Nikkei	39,583.08	↑	2.81%	↑	19.27%	↑	8.70%
Hang Seng Index	17,718.61	↓	-2.02%	↓	-6.33%	↑	13.47%
Shanghai Composite	2,967.40	↓	-3.95%	↓	-7.33%	↑	6.22%
Sensex	79,032.73	↑	6.63%	↑	22.12%	↑	9.66%
S&P/ASX 200	7,767.47	↑	0.85%	↑	7.83%	↑	1.12%

Source: Bloomberg

England's FTSE 100 index fell -1.35%, Germany's DAX shed -1.43%, and France's CAC40 dipped by -6.64%.

Asia-Pacific

Asia-Pacific share markets closed mixed in June, owing to optimism about a Fed rate cut, trade policy uncertainty, upbeat

corporate earnings, and political stability. During the month, Japan's Nikkei rose +2.81%, India's Sensex gained +6.63%, and Australia's S&P/ASX 200 edged +0.83% higher. Meanwhile, China's Shanghai Composite fell -3.95% and Hong Kong's Hang Seng recorded -2.02% losses.

PNG Equities.

CPL defer appointment of Group CEO

An appointment of a new Chief Executive Officer for City Pharmacy Group Limited (PNGX: CPL) was deferred until the end of August 2024. The Group Board announced this decision in light of its strategic meeting scheduled for August 2024. In the meantime, the Group's senior management team will manage the day-to-day operations of the company.

	PRICE*		MONTH		YOY		YTD
PNG Stock Exchange (PNGX)							
Steamships Trading Company Limited (SST)	48.00	↑	6.45%	↑	35.36%	↑	30.28%
Santos Limited (STO)	19.38	↑	0.05%	↑	1.41%	↑	0.73%
BSP Financial Group Limited (BSP)	17.50	↑	3.73%	↑	36.19%	↑	15.42%
Kina Securities Ltd (KSL)	3.05	↑	2.66%	↑	27.08%	↑	12.19%
Australian Securities Exchange (ASX)							
Kina Securities Ltd (KSL)	0.93	↓	-1.60%	↑	25.68%	↑	7.83%
BSP Financial Group Ltd (BFL)	6.45	↓	-0.62%	↑	32.72%	↑	6.40%
Santos Limited (STO)	7.66	↑	0.39%	↑	1.86%	↓	-2.45%
PNG Market Indices							
KSi	6,452.90	↑	0.44%	↑	3.09%	↑	1.95%
KSHi	6,794.61	↓	-0.05%	↑	7.93%	↑	7.58%

PNG Equities cont.

Newmont declares dividend of 25 cents for Q1

Following its strong first quarter (Q1) operational performance, the Board of Newmont Corporation (PNGX/ASX: NEM) declared a dividend of 25 U.S cents per share for Q1. The dividend was distributed on 27th June, to holders of record at the close of business on 4th June 2024.

KSL reports customer fraud incident

Kina Securities Limited (PNGX/ASX: KSL) released a statement in June to inform the market (ASX & PNGX) of a customer fraud incident and the financial implications of the incident on the company's bottom line. With the available information, the Group had estimated total losses to be within the range of PGK12 million to PGK15 million (pre-tax), based on the assumption that the company is unable recoup all the losses.

The impact on the first-half results were estimated to be (13% to 17%) lower than the analysts' estimates of around PGK41.2 million - PGK42.9 million.

Impact on the KSL share price

Following the announcement, the share price of KSL (ASX-listed) dropped to its lowest level (88 cents) since 26 March, after closing the month at 93 cents per share on ASX. On the PNGX, KSL shares also declined after the announcement, but managed to close up +2.66% above the previous month's closing level.

Kina Securities Index

The PNG share market (PNGX) closed another month in green territory, with the Kina Securities index gaining +0.44% on the back of strong gains in banking, industrial and oil & gas stocks. Among individual stocks, Steamships Trading Company and BSP Financial Group were the top performers of the month, recording +6.45% and +3.73%, respectively.

In terms of volume movement, the market recorded 8.16 million units traded during the month, an increase of +350% compared to an average of 1.82 million units over the past five months. Of the total volume, BSP stocks accounted for more than 50% of the volume, as a major BSP shareholder started its divestment process for its holdings in the bank.



Commodities.

Agriculture

Coffee continued its strong rally during June, up almost +3% for the month and already 42.2% for the year to date. This steady price increase is attributed to underlying factors driving sentiments in major coffee producing countries, with supply shocks anticipated in Vietnam and Indonesia due to an upcoming poor harvest, plus an appreciating Brazilian real currency dampening Brazilian export productivity. Cocoa prices were quite unpredictable during June. Initial reports of "tight supply" during the month in Ghana and Cote d'Ivoire saw prices reach peaks before pulling back at the end of the month, with prices declining 18% and 28% respectively on the major London and New York exchanges. The driving force behind the softening in prices is reported to have been encouraged by conducive weather conditions supporting crop development and the consequent anticipation of a better main crop output for the upcoming 2024/25 cocoa season.

	PRICE (USD)		MONTH		YOY		YTD
Agriculture							
Coffee (US cents/lb)	228.95	↑	2.93%	↑	42.20%	↑	16.54%
Cocoa (US\$/mt)	7,729.00	↓	-18.84%	↑	132.94%	↑	47.18%
Palm Oil (RM/tn)	3,976.00	↓	-2.31%	↑	6.00%	↑	4.16%
Energy							
Brent Crude (US\$/bbl)	86.41	↑	5.70%	↑	15.37%	↑	5.59%
LNG (US\$/mmBtu)	12.64	↑	5.95%	↑	3.23%	↑	28.20%
Light Crude WTI Futures (US\$/bbl)	81.54	↑	5.74%	↑	15.43%	↑	7.23%
Precious Metals							
Gold (US\$/oz)	2,339.60	↓	-0.26%	↑	21.26%	↑	12.85%
Silver (US\$/oz)	29.56	↓	-2.93%	↑	28.41%	↑	24.90%
Base Metals							
Copper (US\$/lb)	4.39	↓	-4.68%	↑	16.81%	↑	12.01%
Iron Ore (US\$/mt)	101.26	↓	-6.62%	↓	-7.03%	↓	-24.58%

Source: Bloomberg

Energy

Benchmark crude oil prices rebounded during June from six-month lows after OPEC+ officials stated that unwinding voluntary production cuts would depend on market conditions as geopolitical risks remained elevated. Brent futures rose by \$5/bbl to end the month at \$86/bbl.

LNG prices also increased in June to close out the second quarter, as U.S

and European natural gas prices were 80% and 25% higher, respectively, compared to their closing prices for Q1. The surge in U.S. prices was driven by increased demand for power generation and expectations of higher flows from U.S. LNG (liquefied natural gas) export terminals in the coming months. In Europe, concerns over recent outages contributed to the price rise. Additionally, both markets benefited from robust LNG demand from Asia.



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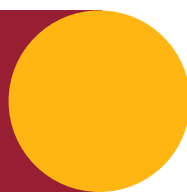
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