

Monthly Report.

April 2024



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Monthly Highlights.

CPL SECURITIES RESUME TRADING

The securities of City Pharmacy Group resumed trading on PNGX after the release of the Group's 2023 Financial Results. In the report, CPL also reported total losses of PGK21.9 million incurred during the "Black Wednesday."

PGK1.11 BILLION RAISED IN APRIL

PGK1.11 billion was raised in April from both T-bills and GIS, a -57% drop from the amount raised in March 2024.

TOTAL FX TRANSACTION

April saw a total FX transaction of PGK 3.97 billion, a -2.86% decline from last month's total transaction. However, April's FX transaction was well above (+5%) the average of the past three months.

HIGHER THAN EXPECTED U.S INFLATION

U.S. Treasury yields rose in April due to higher than expected inflation data which lowered expectations for 2024 rate cuts.

COCOA CONTINUES TO RISE ON DEFICIT SUPPLY

Price for cocoa rose for a fourth straight month in April, adding +3.69% to US\$10,133 per metric ton. The global supply deficit remains the key driver of cocoa. This is good news for PNG cocoa farmers.

STATE COMPANY SELLS LNG TO CHINA

KPHL sells first cargo of LNG to China from its 16.77% share of the PNG LNG Project; the first of 14 LNG sales planned over the next four years.

Market Commentary.

Easing U.S Economic Growth

U.S. economic growth slowed sharply in the first quarter of 2024, expanding at an annual rate of 1.60%. This was a notable slowdown from the previous quarter's growth rate of 3.40%. The deceleration reflects weakening household and government spending as well as a decline in business inventory and trade. Americans bought more imported goods while exporting fewer U.S. goods, which weighed on growth.

While the economy is still creating jobs and wages are rising, there are signs of a potential slowdown. Inflation remains elevated and interest rate hikes by the U.S. Federal Reserve (Feds) have made borrowing costs higher. Consumer spending, which has been fueling economic growth, showed some weakness in the first quarter. Americans are saving less and taking on more debt to maintain spending.

As such, markets reacted negatively to the GDP report, fearing the possibility of stagflation - high inflation combined with slowing growth. However, most economists do not expect a recession this year given continued strong demand for services like travel and dining out. But there are signs that high costs are impacting consumer and business spending, which could dent economic growth in the coming quarters.

Market Commentary cont.

PNG-China trade relations strengthen

Back at home, relations with China strengthened, as PNG welcomed the Chinese Foreign Minister, Wang Yi, as he met with Prime Minister Hon. James Marape. Prime Minister Marape emphasized that PNG will maintain its One-China policy and friendship with China. He highlighted several achievements in China-PNG relations since he took office, including weekly flights between Guangzhou and Port Moresby, opening of a trade office in Guangdong province, and PNG joining the Asian Infrastructure Investment Bank (AIIB). Prime Minister Marape expressed hope that the visit will further cooperation in areas like reciprocal visa arrangements, using the Chinese currency in trade, and Chinese development assistance programs in PNG.

In addition, Prime Minister Marape welcomed PetroChina to Papua New Guinea, marking an important milestone in the country's hydrocarbon sector. This event coincided with the loading of the first LNG cargo onto a tanker ship at the PNG LNG Plant. PetroChina joining existing giants like Exxon Mobil, Total, and Santos demonstrates the potential for more investment in PNG's

petroleum sector. For the first time, the national oil and gas company Kumul Petroleum Holdings Limited (KPHL) will market LNG on the spot market from its share of the PNG LNG Project, rather than through long-term sales agreements. KPHL has a 16.77% share in the PNG LNG Project, which entitles it to sell around 14 LNG cargoes over the next four years.

Kina Bank Outlook.

The National Gold Corporation Bill

The National Gold Corporation Bill 2022 proposed by the PNG government has made headlines not just in the country, but around the world. The bill seeks to establish a monopoly over gold mining and refining in the country by mandating that all gold be refined exclusively by the 'National Mint', a private company that is majority owned by a Singaporean entity.

Amongst the dialogue and public discourse, many experts in the resource sector argue that this gold monopoly undermines existing marketing arrangements and contracts established by major mines, threatening their financial sustainability. There also remains a high risk of negatively impacting investor confidence in new mining projects, and the country at large.

Across the country, there has been widespread criticism at the extensive powers given to the National Gold Corporation in the bill, including the ability to create subsidiaries that could override existing laws and weaken state agencies. The bill also proposes giving these subsidiaries authority over PNG's gold reserve and the issuance of legal tender, which is seen as infringing on the country's economic sovereignty.

Overall, the bill has sparked debate over its potential impacts on the country's mining industry and economic sovereignty. However, in retrospect it's important to recognize the uncertainty facing the government given the upcoming vote of no-confidence motion (VoNC), and that the bill bears a highly speculative nature. It is important to take note of it, but remain measured in decision making

PNG Pursues New Bilateral Trade Agreement with Australia

During the month, PNG's Minister for International Trade and Investment, Richard Maru, met with the new Australian High Commissioner to Papua New Guinea, John Feakes. During the meeting, Minister Maru reiterated PNG's stance of not joining the PACER Plus trade agreement with Australia, but rather opting to pursue a more bilateral trade agreement with individual partners. It was mentioned that trade remains imbalanced in Australia's favour, with PNG exporting AUD\$1.6 billion to Australia while importing AUD\$95.9 million worth of goods from Australia.

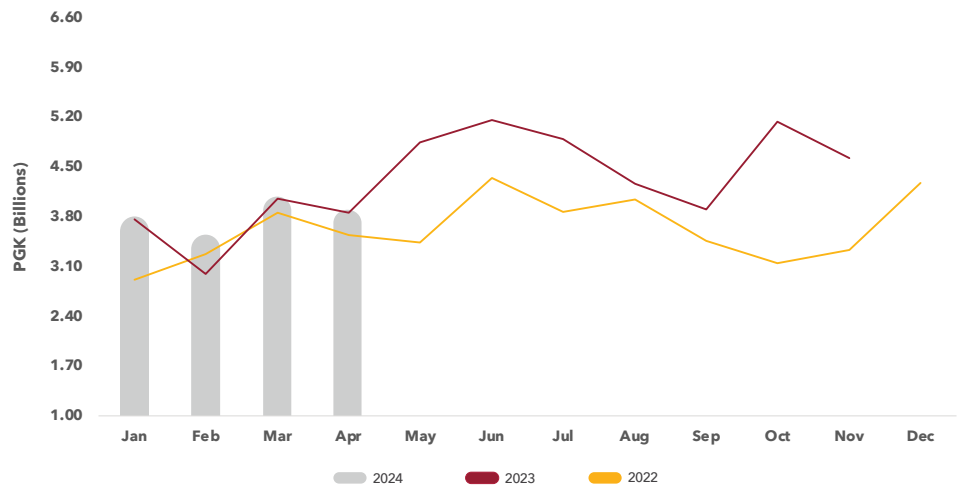
Minister Maru maintained his position to pursue a new bilateral economic partnership with Australia that would provide broader benefits for PNG. This could include among other things; investing in non-extractive sectors, employing skilled Papua New Guineans, and other mutually beneficial initiatives. Australia remains PNG's largest trade partner and investor, with bilateral trade totalling over AUD\$6 billion in 2022, and Australian investments in PNG valued at over AUD\$24.8 billion.

PNG FX Market.

FX Transactions

April saw a total FX market transaction of PGK3.97 billion in the domestic market, which is a -2.86% drop from the previous month. However, April's total transaction was well (+5%) above the average of the past three months. In addition, the market is tracking over 2% year-on-year. This demonstrate that the FX market continue to see inflows coming into the market to clear out import orders, particularly from high commodity prices of cocoa and gold.

The Bank of Papua New Guinea (BPNG) increased its support to the market with a total intervention of PGK47 million, compared to the PGK36 million provided in March. This is the biggest intervention amount so far this year.



Data Sources: Bank of PNG; KFM Economics Calculations

The Kina depreciates further

The value of the PNG Kina depreciated by 22 basis points (bps) against the U.S dollar at 26.29 cents, from 26.51 cents per Kina in the previous month. On average, the Kina value is falling 13bps per month this year. In cross-currency

conversions, the PNG Kina weakened by 31bps against the Australian dollar at 40.33 cents, while it dropped 74bps against China's yuan to close at 1.9043 yuan. On the upside, the PNG Kina outperformed the Singapore dollar by adding 7bps to 35.81 cents per Kina.

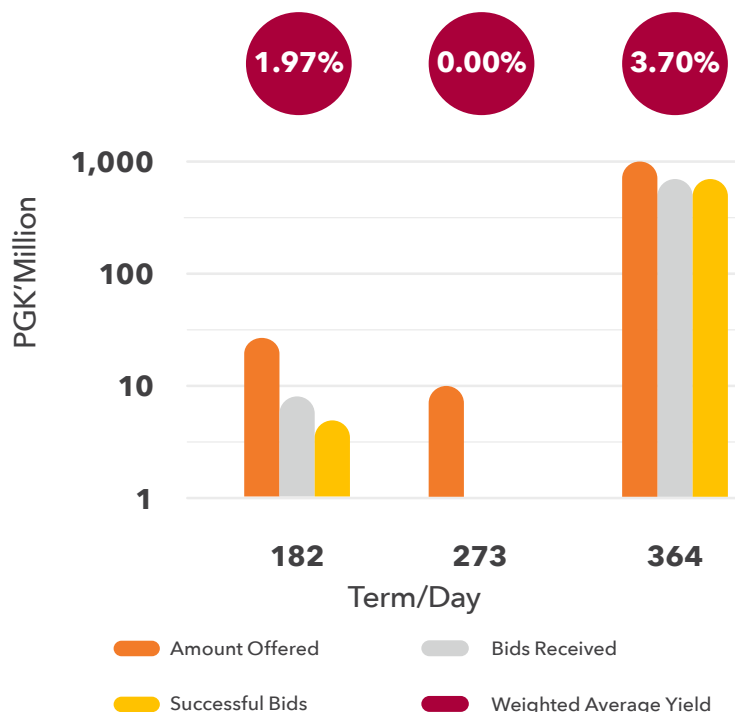
PNG Cash & Fixed Income.

A total of PGK1.73 billion was auctioned in April on the domestic debt market from both Treasury bills (T-bills) and Government Inscribed Stocks (GIS), with only a total of PGK1.11 billion in successful bids. This was a -57% drop from the amount raised in March (PGK2.61 billion), owing to about -30% undersubscription in the market, as we saw no demand for the 273-day T-bill paper given its 0.00% interest.

Yields on T-bills across all tenors have yet to return to levels seen at the beginning of 2023. Specifically looking at the 1-year Treasury bill, yields recovered in September 2023 from prior months, gaining approximately 10.75%. Yields began declining in January 2024 but started increasing again in March. Since then, the 1-year yield has risen 41 basis

points to close at 3.70% in April, the highest level seen since January 2023. While yields have trended upward recently, it remains unlikely they will

fully return to pre-2023 levels, as the government continues pursuing cheaper debt to fund expenditures.



International Cash & Fixed Income.

U.S. Treasury yields rose sharply in April as investors lowered their expectations for 2024 Fed rate cuts due to persistently high inflation data, with longer-duration Treasuries seeing the steepest declines. The Consumer Price Index (CPI), which is the main measure of inflation in the U.S., was 3.8% in April, suggesting that inflationary pressures were still present in the U.S. economy. This has seen the market lower the number of expected Fed rate cuts in 2024 from three to two. While some economic data showed weakness, such as lower GDP growth and job openings, inflation pressures remain.

10 Year Government Bond Yields						
COUNTRY	YIELD		MOM		YOY	YTD
United States	4.68%	↑	0.11	↑	0.37	↑ 0.18
United Kingdom	4.35%	↑	0.10	↑	0.17	↑ 0.14
Australia	4.42%	↑	0.11	↑	0.33	↓ 0.10
New Zealand	4.90%	↑	0.08	↑	0.20	↑ 0.07
France	3.05%	↑	0.08	↑	0.06	↑ 0.14
Japan	0.88%	↑	0.21	↑	1.23	↓ 0.18

Source: Bloomberg

Meanwhile, emerging market debt had negative returns in April due to rising U.S Treasury yields and a stronger U.S dollar, as debt with shorter maturities of less than 10 years outperformed broader emerging market benchmarks. Emerging market debt with shorter maturities returned -1.1% in March but 2.2% year-to-date, outperforming the

broad emerging market benchmark by over 200 basis points. Lower rated emerging market debt also performed well this year, with high yield emerging market debt returning 3.5% year-to-date compared to -3.5% for investment grade emerging market debt.

PNG Equities.

First quarter earnings

BSP Financial Group Limited (PNGX: BSP | ASX: BFL) reported an unaudited net profit after tax (NPAT) at PGK241 million for the first quarter (Q1) of 2024. Compared to the corresponding period (p.c.p) in 2023, the NPAT declined by -2.3%, despite strong underlying earnings. The Group attributed the decline in NPAT to higher-than-expected impairment costs during the period.

Newmont Corporation (PNGX, ASX: NEM) also reported its Q1 earnings, with a net income of US\$170 million. However, the net income declined -48% compared to the US\$351 million declared in the p.c.p, resulting from an increased non-operating expense,

	PRICE*		MONTH		YOY		YTD
PNG Stock Exchange (PNGX)							
Credit Corporation PNG (CCP)	2.15	↑	1.88%	↑	7.50%	↑	7.23%
Kina Asset Management (KAM)	1.20	↑	4.26%	↑	26.32%	↑	28.77%
BSP Financial Group Limited (BSP)	16.30	↑	1.11%	↑	27.34%	↑	8.31%
Santos Limited (STO)	19.37	↑	0.05%	↑	1.41%	↑	0.67%
Australian Securities Exchange (ASX)							
Kina Securities Ltd (KSL)	0.94	↑	5.47%	↑	28.77%	↑	8.89%
BSP Financial Group Ltd (BFL)	6.14	↑	6.74%	↑	25.31%	↑	1.48%
Santos Limited (STO)	7.70	↓	-0.65%	↑	8.91%	↓	-1.93%
PNG Market Indices							
KSi	6,435.47	↑	0.13%	↑	2.36%	↑	1.24%
KSHi	16,684.18	↑	1.63%	↑	3.33%	↑	6.97%

Source: PNGX, Bloomberg, KFM Calculation



PNG Equities cont.

including restructuring and merger acquisitions and write-off. On the upside, Newmont delivered a strong operational performance and declared a dividend of 25 U.S cents. The Group remains well positioned to deliver its full-year guidance for 2024.

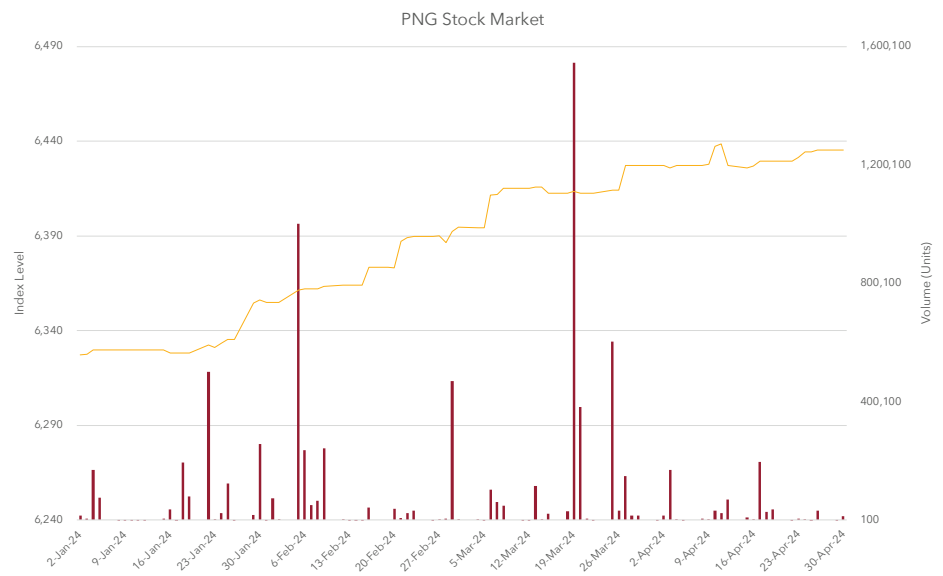
CPL securities resume trading

During April, securities of City Pharmacy Limited (PNGX: CPL) resumed trading on the PNG stock market after being under suspension since 12th January 2024. This was after City Pharmacy released the 'Appendix 5C Updated Preliminary Final Report 31 Dec 2023,' where it reported total losses incurred during the "Black Wednesday" riots. Total losses confirmed was PGK21.9 million, consisting of PGK15.63 million worth of cash and inventory, and PGK6.72 million in written-off fixed assets.

PNGX movement

The PNG stock market (PNGX) closed a little higher in April, with the Kina Securities index (KSi), a price-weighted measure of PNGX stocks, rising +0.13% for a fourth straight month this year. So far, KSi gained +1.2% (YTD).

In terms of volume, the market traded a total volume of 0.6 million units, compared to an average of 2.3 million units for the past three months. The lower volume was partly because of no exciting news in the market for investors to trade on.



International Equities.

North America

U.S major stock benchmarks closed April on the back foot as investors shifted focus from corporate earnings to monetary policy after a slew of economic reports dented investors' hopes for interest rate cuts this year. During the month, several U.S monetary policy officials, including the U.S Federal Reserve chair, Jerome Powell, indicated that the U.S central bank might hold its policy rate higher-for-longer, given the country's robust

	PRICE		MONTH		YOY		YTD
North America							
Dow Jones IA	37,815.92	↓	-5.13%	↑	10.90%	↓	-0.88%
S&P 500	5,035.69	↓	-4.25%	↑	20.78%	↑	3.85%
NASDAQ	15,657.82	↓	-4.51%	↑	28.06%	↑	3.20%
Toronto S&P/TSX	21,714.54	↓	-2.06%	↑	5.22%	↑	3.24%
Europe							
FTSE	8,144.13	↑	2.38%	↑	3.48%	↓	6.51%
DAX	17,932.17	↓	-3.08%	↑	12.62%	↑	5.91%
CAC40	7,984.93	↓	-2.73%	↑	6.59%	↑	4.20%
Asia							
Nikkei	38,405.66	↓	-4.49%	↑	33.09%	↑	5.68%
Hang Seng Index	17,763.03	↑	7.13%	↓	-10.71%	↑	13.72%
Shanghai Composite	3,104.82	↑	3.08%	↓	-6.57%	↑	10.74%
Sensex	74,482.78	↑	1.12%	↑	21.88%	↑	3.74%
S&P/ASX 200	7,664.08	↓	-2.99%	↑	4.86%	↓	-0.22%

Source: Bloomberg



International Equities cont.

labour market, resilient economy, and sticky inflation. The Dow Jones fell -5.13%, the S&P 500 dropped -4.25%, the Nasdaq Composite slipped -4.51%, and the Toronto S&P/TSX closed -2.06% lower.

Europe

In Europe, stock markets were subdued as heightened tensions in the Middle East offset the European Central Bank's hawkish comments about cutting

interest rates sooner. Also, demand for equities were hurt by higher euro zone bond yields due to expectations for a higher-for-longer scenario for U.S interest rates. Major stock benchmarks closed mixed: FTSE +2.38%, DAX -3.08%, and CAC40 -2.73%.

Asia-Pacific

Major stock benchmarks in Asia-Pacific closed mixed as investors struggled

amidst on-going Middle East conflict and China's positive economic reports, including the expanded manufacturing data. China's Shanghai Composited rose +7.13%, while Japan's Nikkei fell -4.49%. Australia's S&P/ASX 200 shed -2.99% for the month.

Commodities.

Agriculture

Cocoa prices rose for a fourth straight month in April, adding +3.69% to US\$10, 133 per metric ton, while coffee strongly rebounded from last month's decline with a +15.56% gain to close at US\$220.65 per pound. A deficit supply of both commodities from respective major exporting countries gave rise to the bullish run of the prices.

Energy

Crude oil futures subdued after losing momentum on a number of factors including; peace talks between Israel and Hamas; rise in U.S commercial inventories; and higher-for-longer interest rate outlook. Brent crude futures inched +0.43% higher at US\$87.86 per barrel, while U.S crude futures fell -1.50% to settle at US\$81.93%.

	PRICE (USD)		MONTH		YOY		YTD
Agriculture							
Coffee (US cents/lb)	220.65	↓	15.56%	↑	16.22%	↑	12.85%
Cocoa (US\$/mt)	10,133.00	↑	3.69%	↑	219.25%	↑	74.26%
Palm Oil (RM/tn)	3,862.00	↑	-9.71%	↑	-1.91%	↑	1.25%
Energy							
Brent Crude (US\$/bbl)	87.86	↑	0.43%	↑	10.46%	↑	7.26%
LNG (US\$/mmBtu)	10.34	↑	8.06%	↓	-10.52%	↑	8.11%
Light Crude WTI Futures (US\$/bbl)	81.93	↑	-1.50%	↑	6.71%	↑	7.71%
Precious Metals							
Gold (US\$/oz)	2,302.90	↑	2.84%	↑	15.20%	↑	11.27%
Silver (US\$/oz)	26.65	↑	6.74%	↑	5.66%	↑	14.55%
Base Metals							
Copper (US\$/lb)	4.56	↑	13.03%	↓	17.32%	↑	15.87%
Iron Ore (US\$/mt)	108.62	↓	10.72%	↓	1.53%	↓	-17.56%

Source: Bloomberg



Commodities cont.

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Spot price for Liquefied Natural Gas (LNG) extended gains into a second month from March, after falling more than -30% over the first two months of 2024. LNG's rally was supported by increased costs for LNG shipments as vessels avoided the Red Sea where Iran-aligned Houthi groups launched missile strikes on several commercial vessels. Spot LNG price rose +8.06% to US\$10.34%.

Precious Metals

Spot gold price held firm at US\$2,302.90 per ounce, up +2.84% from US\$2,238.40 per ounce in March, though safe-haven buying mood for gold faded as tensions in

the Middle East eased. Spot silver also peaked during April, rising +6.74% to US\$26.65 per ounce on supply deficits, while strong industrial demand, particularly from the green energy sector, bolstered the price for the precious metal.

Base Metals

Spot copper climbed +13.03% to US\$4.56 per pound, while Iron Ore gained +10.72% to settle at US\$108.62 per metric ton, rallying from last month's sharp decline. The strong performance of both base metals was driven by robust industrial and infrastructure investments in China.

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

Head of Wholesale Business Development

Willie Konga
willie.konga@kinabank.com.pg

Senior Investment Analyst

David Menjawi
david.menjawi@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

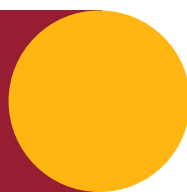
Joshua Sialis
Joshua.Sialis@kinabank.com.pg

Shares

Vera Saisagu
Linah Leka
wealth@kinabank.com.pg

Administration Coordinator

Dagu Hebore
dagu.hebore@kinabank.com.pg



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