

Monthly Report.

March 2024



kinabank

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Monthly Highlights.

TREASURY BONDS REINTRODUCED INTO THE MARKET

The Department of Treasury reintroduced Treasury bonds into the debt market in March, the first time since last October. Total amount raised was PGK1.4 billion, from the total offering of PGK1.6 billion. Yield on the 10-year bond was closed at 5.87%, while the 2-year settled at 4.31%.

COCOA GAIN OVER +40%

In March, cocoa rose more than +40% on the New York futures market, extending its stellar run for a third straight month in 2024. The tight global supply of cocoa remains the key reason for this remarkable surge.

NGP ACHIEVE A +73% INCREASE IN NPAT.

NGP Agmark Limited announced a NPAT for FY2023 at PGK6.8 million, an increase of +73% from the previous year. This growth was mainly supported by higher international prices for cocoa. Cocoa prices were up more than +40% in 2023.

PNG KINA DEPRECIATES FURTHER

The Kina value dropped 9 basis points against the U.S dollar at 26.51 U.S cents. So far, the Kina had dropped 32 basis points since the Bank of Papua New Guinea implemented the crawl-like exchange rate in early this year.

KSI EXTENDS GAINS

The Kina Securities index, a price-weighted measure of the PNG stock market, closed higher in March, extending its winning streak after a batch of PNGX-listed companies released their full-year results. KSI gained +0.54% adding to this year return of +1.62%.

FUEL PRICES RISE MORE THAN +2% ACROSS PNG

During March, indicative retail fuel prices rose more than +2% across major centers in PNG. The increase was attributed to an average rise in international crude oil prices due to supply concerns.

Market Commentary.

Global Economy Resilient Amidst Ongoing Geopolitical Tensions

While current geopolitical tensions and conflicts have exacerbated uncertainties in the global economy, robust economic indicators and accommodative central bank reports buoyed gains across primary investment categories in March. Diminishing expectations of rate hikes and the potential for reductions in borrowing costs contributed to the favorable showing.

The European region saw the strongest performance in March, with equity indices climbing 3.5%. Both inflation data and broader macroeconomic indicators pointed to an environment more conducive to interest rate cuts rather than hikes in the near future. Recession risks also appeared to lessen. However, threats to continued growth remain on the horizon.

United States markets continued postponing further rate increases due to relatively solid economic conditions as reflected in stock prices. However, uncertainties persist around factors such as elevated valuations, the upcoming elections, and high debt levels. The S&P 500 index achieved gains of over 3% for the month.

Market Commentary cont.

Emerging markets and the Asia Pacific region recovered somewhat in March, with returns of 2.2% and 2.3% respectively. Chinese equities rebounded initially, supported in part by some positive quarterly earnings reports. However, less favorable financial disclosures from large corporations such as Alibaba weighed on shares later in the period.

Agricultural Commodities continue their upward trend

Commodity prices have brought relief to farmers amid currency depreciation. Farmers, especially those growing cocoa, have benefited from rising global prices for their crops in local currency terms, offsetting losses from the depreciating exchange rate. Cocoa started to increase last year due to reduced cocoa production in West Africa. Bad weather conditions and crop disease outbreaks have hit cocoa harvests in countries like Ghana and Ivory Coast, which produce the majority of the world's cocoa. Lower yields combined with high demand have pushed cocoa prices to over \$10,000 per ton, nearly double the record set 50 years ago.

However, back at home in PNG, the government had already been investing in strengthening the agriculture sectors, especially the main exports such as cocoa, coffee and oil palm, which has played an important role in supporting farmers through input subsidies and

extension services. Industry boards also regulate production and marketing.

However, output in several key sectors has declined gradually over the long term. Farmers report shifting away from cash crops due to price volatility and labor intensity. Fluctuating global prices mean returns are unpredictable despite farmers' efforts. Many also lack understanding of international agriculture markets and how domestic policies cannot control global price formation. Experts note underutilization of productivity-enhancing technologies could help address the labor challenge as well.

In response, authorities are developing new strategies through the main industry bodies. For example, the establishment of separate Ministry portfolios for coffee and oil palm in 2023 aims to provide focused political leadership for these major export sectors. The goal is to enact policy reforms that incentivize production and address long-standing constraints. Stakeholders will monitor implementation of initiatives to revitalize key agriculture value chains and support rural livelihoods in a period of global economic uncertainty.

Kina Bank Outlook.

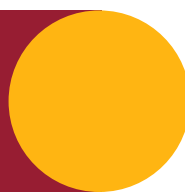
Business Confidence Down

The Bank of PNG in its March Monetary Policy Statement (MPS) noted that business confidence in the country has declined and remains low, as per its February 2024 Business Sentiments Survey. Given the already high-risk business environment that PNG has, the civil unrest in January further worsened the level of confidence.

According to the MPS, BPNG expects a drop in the first half of 2024 across non-mineral private sector sales, capital expenditure, and employment levels. Higher prices including for fuel, shortage of foreign exchange, unreliable supply of electricity and water, and law and order issues continue to impact businesses, resulting in firms operating in a high-cost environment. Additionally, the delay in assisting the affected businesses following the unrest may affect the recovery and impact activity in 2024. Given these challenges, businesses are implementing or creating efficiency and cost-saving measures while sourcing cheaper alternatives both domestically and externally to remain competitive.

IMF Visit

Mr. Bo Li, Deputy Managing Director of the IMF, praised Papua New Guinea's progress in implementing major structural reforms to promote strong, inclusive and resilient growth, during his visit to PNG which ended on March 1. He congratulated the authorities on the impressive progress achieved under the IMF program and encouraged them to continue their reform efforts. The implementation of the government's budget repair strategy will help reduce debt vulnerabilities while freeing up funds to improve basic services and infrastructure. The central bank has begun reforms to alleviate foreign exchange shortages, bring the exchange rate closer to the market rate and improve the business environment. The government has also made progress in fighting corruption through the establishment of the Independent Commission Against Corruption (ICAC). Mr. Li assured the PNG government that the IMF will continue to support Papua New Guinea through financing, policy advice and technical assistance to help promote strong economic growth and improve living standards.

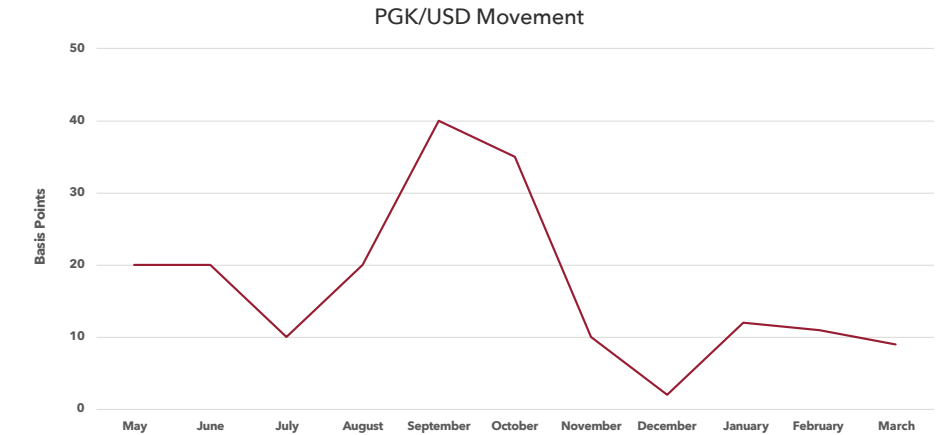


PNG FX Market.

During March, the interbank rate (PGK/USD) closed 9 basis points lower against the U.S dollar at 26.51 U.S cents per Kina. So far, the PGK/USD rate has dropped 32 basis points in 2024, since the Bank of Papua New Guinea (BPNG) implemented the crawl-like exchange rate arrangement in early this year. Compared to 2023, the interbank rate is falling at a much slower pace this year.

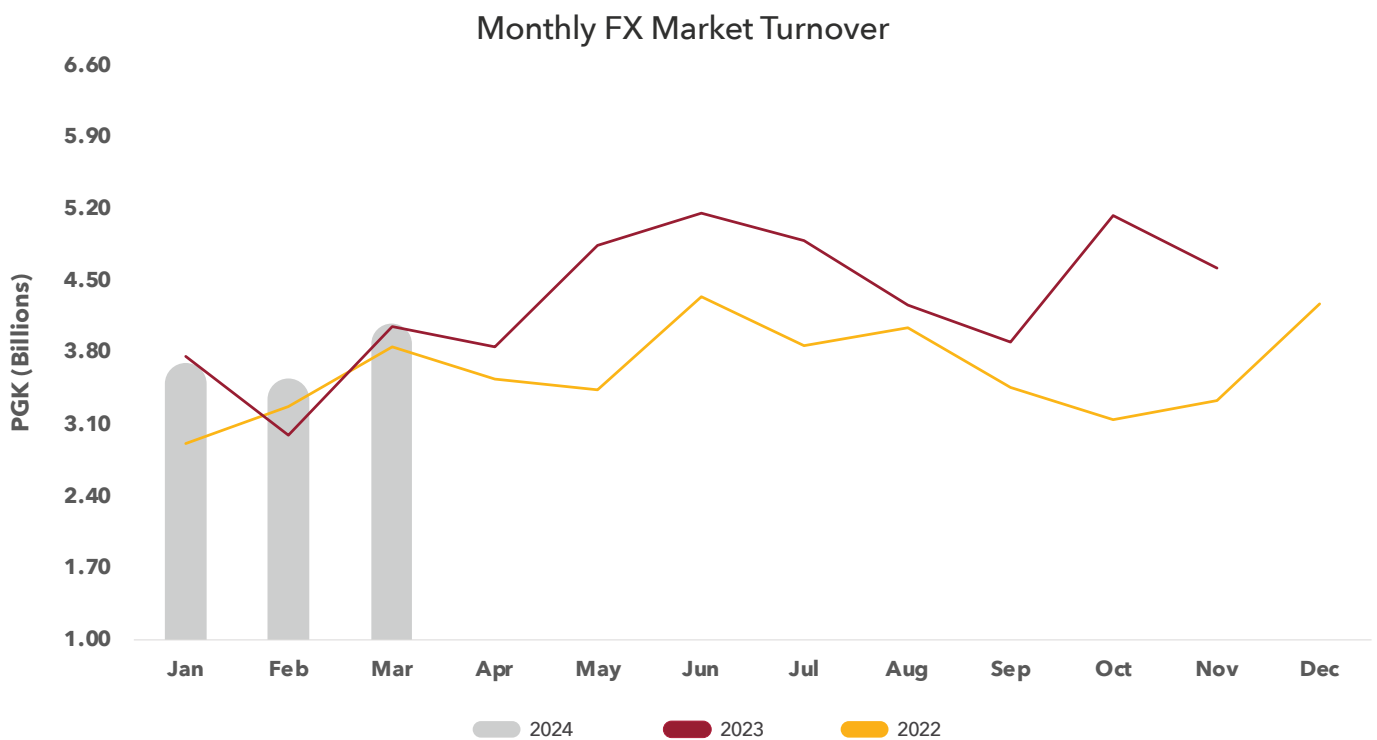
In its March Monetary Policy, BPNG hinted that the mid-rate would continue to fall in the coming months, as the average level of outstanding FX orders continue to remain higher in 2024.

In terms of FX flows, the total FX market turnover increased +11% to PGK4.45 billion, compared to PGK3.98 billion in February.

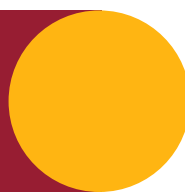


Source: KFM Daily Market Report, KFM Economics Calculation

BPNG also extended its support to the market with a total intervention of PGK36 million (versus PGK43 million in February).



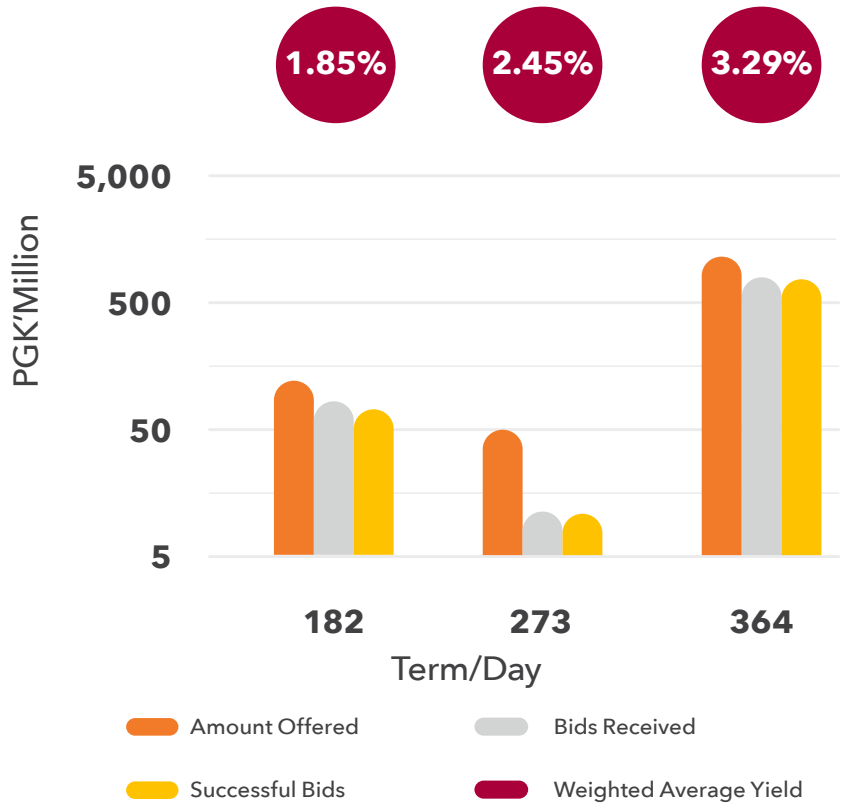
Source: Bank of Papua New Guinea; KFM Economics Calculations



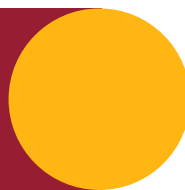
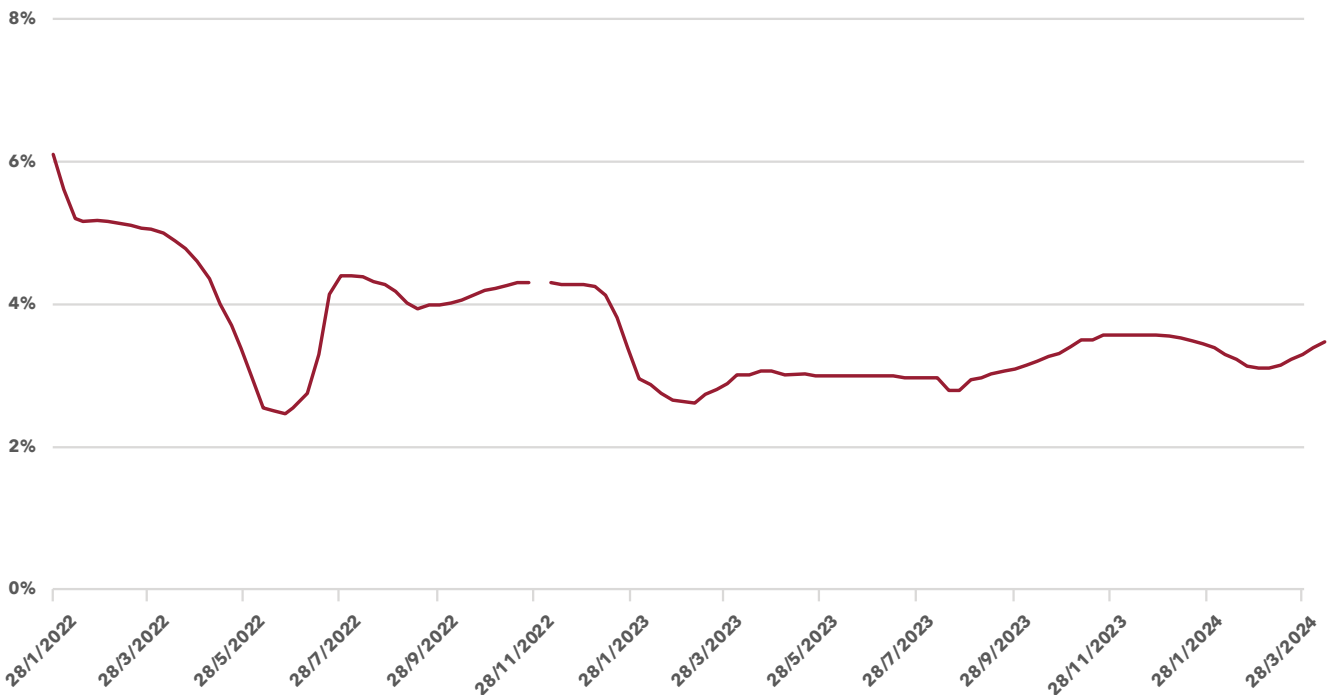
PNG Cash & Fixed Income.

The Department of Treasury (DoT) raised PGK2.61 billion this month, from an auction of PGK1.52 billion in Treasury bills (T-bill) and PGK1.6 billion in Treasury bonds - commonly referred to as Government Inscribed Stocks (GIS) in PNG. During the month, DoT reduced the offer amount of T-bill and re-introduced GIS into the market since last October. The new GIS issue in the market resulted in a fall in T-bill subscription as investors looked to GIS for higher yield. The overall T-bill auction was undersubscribed by PGK0.28 billion.

In terms of yield movement, T-bill yields were stable in March, after starting the year with back-to-back declines in the first two months of 2024. The 1-year T-bill yield closed 6 basis points (bps) higher at 3.29%, while the 273-day levelled at 2.45%. The 182-day closed the month at 1.85%, up by 3bps. In addition, the 10-year bond yield settled at 5.87%, while the 2-year bond yield closed at 4.31%. The spread between the 10-2 year bond yield stood at +156bps.



1-Year Treasury Bills



International Cash & Fixed Income.

US Treasuries

Interest rates on US government bonds went down for most of March, leading to gains for investors at both short and long durations. Nowhere was this more evident than in shorter-term Treasuries, since yields further out the curve experienced more fluctuations given ongoing questions about inflation and the Fed's plans. Price changes for consumer goods were a mixed bag over the first quarter, with the main CPI gauge exceeding forecasts but the preferred Core PCE measure declining. Meanwhile, the job market weakened a bit as evidenced by a higher unemployment rate. From a policy perspective, the Federal Reserve left borrowing costs unchanged at its latest meeting but reiterated its previous

10 Year Government Bond Yields						
COUNTRY	YIELD		MOM		YOY	YTD
United States	4.20%	↓	-0.01	↑	0.19	↑ 0.07
United Kingdom	3.93%	↓	-0.05	↑	0.12	↑ 0.04
Australia	3.96%	↓	-0.04	↑	0.18	↓ -0.01
New Zealand	4.54%	↓	-0.04	↑	0.08	↑ 0.00
France	2.81%	↓	-0.03	↑	0.01	↑ 0.05
Japan	0.71%	–	0.00	↑	0.71	↓ -0.03

Source: Bloomberg

guidance that it will start cutting rates later this year to support the economy.

Emerging markets

Investments in developing countries did well so far in 2022. Debts with maturities less than 10 years (to be repaid within the next 10 years) gained 3.3% in the last 3 months, over 1% more than the overall market. Riskier bonds from developing countries with

lower credit ratings did even better, returning 4.9%. In comparison, safer bonds from developing countries with higher credit ratings lost 0.8%. Riskier bonds did better because they provided higher returns, had interest rates that moved less with the market, and the difference between their rates and safer bonds narrowed.

PNG Equities.

Reporting of FY2023 Financial results concludes

In March, last batch of PNGX-listed companies, including NGP Agmark (PNGX: NGP), released their full-year financial results for 2023. NGP reported a +73% increase net profit of PGK6.8 million, compared to PGK3.9 million in 2023. The increase in the Group's bottom line was largely due to an increase (+43%) in international prices for cocoa during the year.

KSI moves higher

The Kina Securities index, a price-weighted measure of PNG stock market, closed +0.54% into the green territory in March, after the 2023 reporting session. This is a third straight month the KSi has risen in 2024. Total gains recorded year-to-date is +1.62%.

	Net Profit after Tax		Dividend		*Dividend Yield
	2023	2022	Interim	Final	
Investment, Finance & Property					
Credit Corporation	PGK134.90m	PGK86.04m	PGK0.11	PGK0.13	12.05%
Kina Asset Management	PGK12.75m	PGK-3.26m	PGK0.12	-	13.33%
Agriculture & Industrial					
City Pharmacy	PGK574.92m	PGK606.08m	-	-	-
NGP Agmark	PGK6.77m	PGK3.90m	PGK0.03	-	4.35%
Mining					
Newmont Corporation	US\$-2.49m	US\$-0.43m	US\$1.20	US\$0.40	4.35%

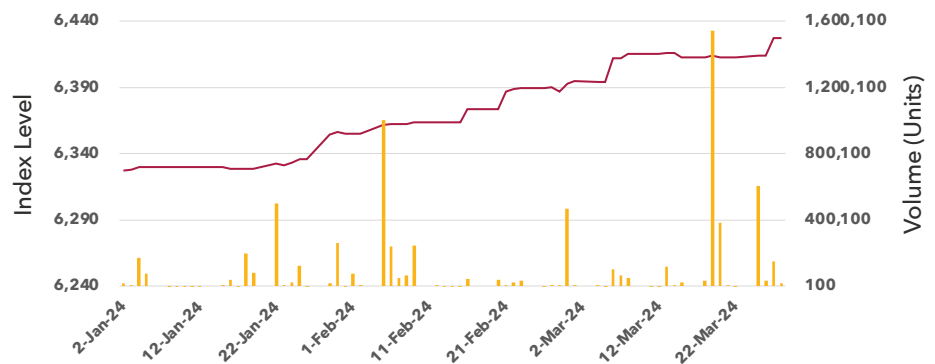
*Calculated using the closing share price as at 29 December

In terms of volume movements, total volume exchanged hands during the month was 3.11 million units (equivalent to PGK31.96 million), compared to 2.29 million units in the previous month.

PNG Equities cont.

Off the total, banking stocks make-up 98.80% (3.07 million units) of the total traded volume. Year-to-date, the market saw a total volume traded at 6.89 million units.

PNG Stock Market



International Equities.

Global equities closed higher for a third straight month in March, despite a change in the timeframe of interest rate cuts by major central banks. Investors begin this year with expectations that major central banks will begin rate cuts in March. However, come March, most major central banks not only kept policy rate unchanged, but signaled that interest rate cuts will likely occur later than the markets had previously anticipated. The dovish remarks provided some relief to the markets. In addition, a broader rise in demand for artificial intelligence (A.I) remains the key force behind the markets' strong performance during the month.

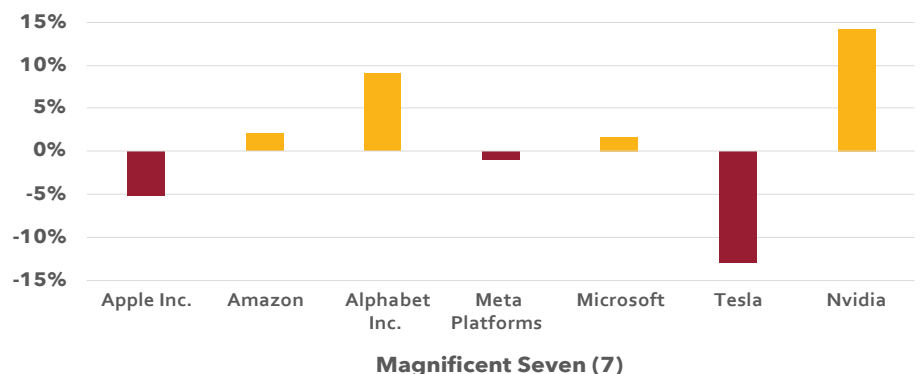
In North America, all four major stock indices closed more than +1% higher (Dow +2.08, S&P 500 +3.10%, Nasdaq +1.79%, and Toronto S&P/TSX +3.76%), while Europe's FTSE (+4.23%), DAX (+4.61), and CAC40 (+3.51%) led the gains with over +3% in returns. Asia-Pacific saw modest returns with Nikkei (+2.56%), sensex (+1.59%) and S&P/ASX 200 (+2.57%) closing over +1%, while Hang Seng recorded +0.18% gain.

Nvidia extends gains

Shares of chip giant, Nvidia, closed more than +13% higher this month. This is the third straight month the stock has

	PRICE*		MONTH		YOY		YTD
PNG Stock Exchange (PNGX)							
Credit Corporation PNG (CCP)	2.01	↑	0.50%	↑	5.79%	↑	0.50%
Kina Asset Management (KAM)	1.01	↑	12.22%	↑	6.32%	↑	12.22%
Kina Securities Ltd (KSL)	2.90	↑	7.41%	↑	5.45%	↑	7.41%
BSP Financial Group Ltd (BSP)	16.12	↑	7.47%	↑	25.94%	↑	7.47%
Santos Limited (STO)	19.30	↑	0.31%	↑	1.05%	↑	0.31%
Australian Securities Exchange (ASX)							
Kina Securities Ltd (KSL)	0.91	↑	5.81%	↑	13.75%	↑	5.81%
BSP Financial Group Ltd (BFL)	6.55	↑	8.26%	↓	25.96%	↑	8.26%
Santos Limited (STO)	7.08	↓	-9.81%	↓	1.14%	↑	-9.81%
PNG Market Indices							
KSi	6,392.50	↑	0.57%	↑	1.67%	↑	0.57%
KSHi	15,725.10	↑	1.05%	↑	0.90%	↑	1.05%

Gains/Losses



risen in 2024. A robust demand for the company's A.I chip in the technology space is what driving the share price of Nvidia.



Commodities.

Cocoa

During March, New York cocoa futures briefly hit the US\$10,000 mark for the first time in history, before closing the month at US\$9,766 per metric ton. The cocoa futures closed more than +40% higher from February's close. This is the third straight month that the cocoa futures has close on the upside in 2024. The tight global supply remains the key reason for this remarkable price surge.

In the next three months, experts have forecasted that cocoa will climb beyond the US\$10,000 mark in the New York futures market, based on an assumption that deficits in the cocoa market will remain widen, given the rising cost of pesticides and adverse weather patterns faced by major cocoa exporter: Cote d'Ivoire and Ghana.

ICCO Cocoa



Energy

Both crude oil benchmarks (Brent and U.S. crude) closed higher for a third straight month in March, supported by a combination of stronger demand, geopolitical tensions, and voluntary production cuts by OPEC+ group. Meanwhile, Asian spot liquefied natural gas (LNG) posted its first gain after two successive months of declines this year. The price increase was backed by steady demand and supply concerns owing to Middle East conflict and Freeport LNG's (U.S. second largest exporter) outage due to maintenance.

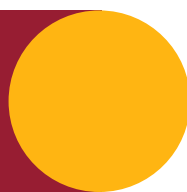
Spot gold

Spot gold rose for the first time this year, after closing in the red territory for the first two months amid stronger U.S. dollar and higher Treasury yields. During March, investors were nervous by the broadening of the Middle East conflict, which prompted safe-haven demand for gold. In addition, dovish interest rate outlook and central bank purchases also supported the price of the bullion.

	PRICE (USD)		MONTH	YOY	YTD
Agriculture					
Coffee (US cents/lb)	188.85	↓	-3.64%	↑ 9.93%	↑ -2.72%
Cocoa (US\$/mt)	9,766.00	↑	40.56%	↑ 120.29%	↑ 70.57%
Palm Oil (RM/tn)	4,256.00	↑	5.58%	↑ 4.76%	↑ 10.97%
Energy					
Brent Crude (US\$/bbl)	87.48	↑	4.51%	↑ 9.23%	↑ 6.82%
LNG (US\$/mmBtu)	9.54	↑	13.03%	↓ -34.92%	↑ 0.05%
Light Crude WTI Futures (US\$/bbl)	83.17	↑	6.09%	↑ 9.45%	↑ 9.21%
Precious Metals					
Gold (US\$/oz)	2,238.40	↑	8.56%	↑ 11.95%	↑ 8.43%
Silver (US\$/oz)	24.92	↑	8.50%	↑ 3.08%	↑ 7.81%
Base Metals					
Copper (US\$/lb)	4.01	↑	4.07%	↓ -2.05%	↑ 2.85%
Iron Ore (US\$/mt)	97.58	↓	-17.69%	↓ -21.76%	↓ -28.28%

Source: Bloomberg

Looking ahead, expectations about interest rate cuts later in the year and on-going tensions in the Middle East will continue to support the rise of gold.



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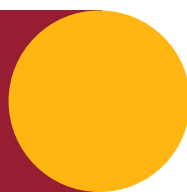
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