

Monthly Report.

April 2025



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Monthly Highlights.

GIS SUBSCRIPTION STRUGGLES

Government Inscribed Stocks were greatly undersubscribed again during April, as investors continue to opt for shorter-term tenors. Despite the underwhelming interest in April, Government is tracking at 88% against its annual GIS financing plan.

GOLD CONTINUES ITS RISE

Gold rose again to unprecedented levels, hitting US\$3,450/oz, with the bullion settling in now at levels above US\$3,000/oz. Gold seems as though it will stay elevated with medium-term recession risks and markets uncertainty.

BSP REPORTS +13% NPAT GROWTH IN Q1/2025

BSP reported a strong performance during Q1, with a +13% growth in unaudited Net Profit after Tax (NPAT). Total Revenue grew by +6%, mostly driven by a +26% growth in FX income.

FX MARKET LIQUIDITY STAYING CONSISTENT

The domestic FX market had a second straight month above PGK5 billion, despite BPNG drastically lessening its intervention into the market. Dealers are also reporting a drop in waiting times for essential orders.

IAN CLOUGH ANNOUNCED AS NEW KSL BOARD CHAIR

KSL announced the appointment of Ian Clough as its new Board Chairman for the Group, following the retirement of Mr. Isikeli Taureka.

LNG DEMAND FROM ASIA REMAINS SOFT

Asia's prices were down by 9.6% m/m to an average of US\$12.22/mmbtu, with depressed Chinese demand weighing on China's LNG appetite.

General Market Update.

Prime Minister Marape consolidates position defeating No-Confidence Vote

Prime Minister James Marape survived another Vote of No Confidence during the April Parliamentary session. The motion was defeated following a fiery debate in Parliament, with 89 MPs voting against it and 16 in favour. Marape defeated the Opposition's nominee, long-serving Enga Governor Sir Peter Ipapas. A new law passed in March now also prevents Parliament from considering another no confidence motion for 18 months.

New fuel storage facility to be built by the US Defense Department

The US Government announced that it would construct a storage facility with approximate capacity of 261 million litres. However, project documents report that 59% of the storage capacity (155 million litres) is expected to be committed for F-76 (military fuel for ships) and JP-5 (fuel for military aircraft). The remaining storage capacity would be committed to JetA-1 fuel, which could ease reserve capacities and address the fuel access issues by domestic airlines over the past 5 years due to FX rationing and its impact on fuel importers.

Asian Development Bank (ADB) project growth to 4.2% in 2025

The ADB forecasts PNG's economic growth in 2025 to be 4.2%, slightly down from 4.3% in 2024. The lower growth outlook was attributed to continued security challenges, unreliable electricity and the potential risks of an imminent 'grey-listing' for PNG, with a decision expected by November of this year. While ADB acknowledged the macroeconomic reforms to improve the country's fiscal discipline, they also noted the inherent risks to the business sector.

FX Market.

Market activity continues to steadily increase

Monthly turnover during April was PGK5.15 billion, compared to the monthly average of PGK5.09 billion for the first 3 months of the year. Market turnover volumes peaked in December, before slowing in January. The April-2025 turnover value is a 30% increase y/y. The average over the first 4 months of 2025 is also +33% higher than the corresponding period in 2024, showing a general upward trend in market liquidity since January 2024.

PNG intervention slowed in April, but turnover was still high

BPNG provided US\$75 million to the market in April, which was the first time this year that intervention was below US\$100 million. Despite the 56% drop in market intervention, the market turnover was still above US\$5 billion which could suggest that market activity is picking again.

Trump tariffs continue to keep markets volatile

The Aussie dollar started the month slumping to below US\$ 0.60 following President Trump's imposition of what he termed as 'reciprocal' tariffs on almost all the US trading partners. This led to the AUD hitting a 5-year low against the USD. The Aussie did rebound as President Trump announced a 90-day delay, before slowly rising again throughout the month to close out at AUD/USD 0.6400.

FX market volume growth since start of 2024

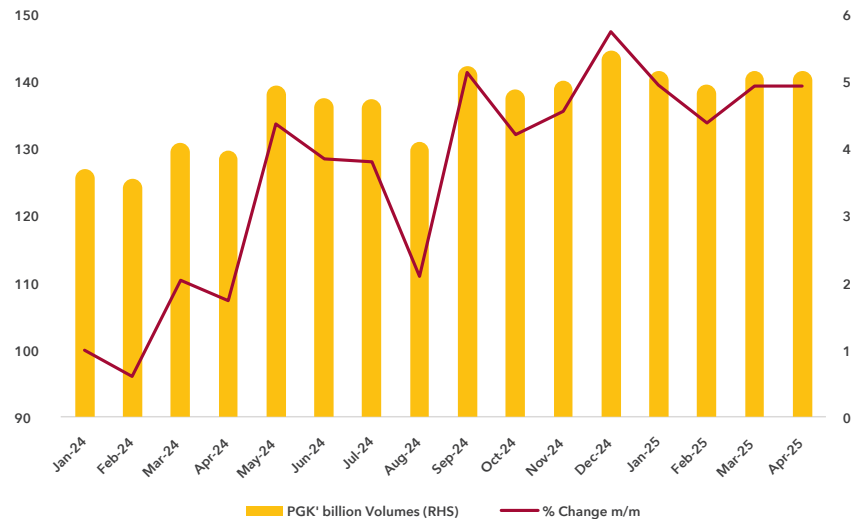


Figure A1: Source: Bank of PNG, KB Economics

Monthly BPNG FX intervention

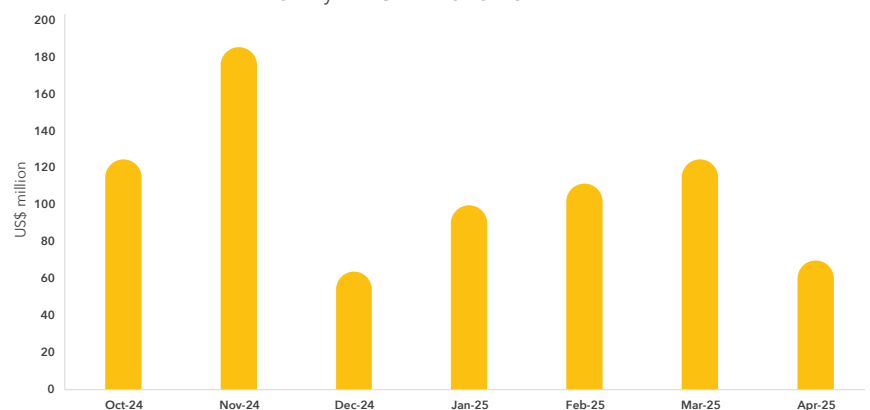


Figure A2: Source: Bank of PNG, KB Economics

Trump tariffs continue to keep AUD volatile

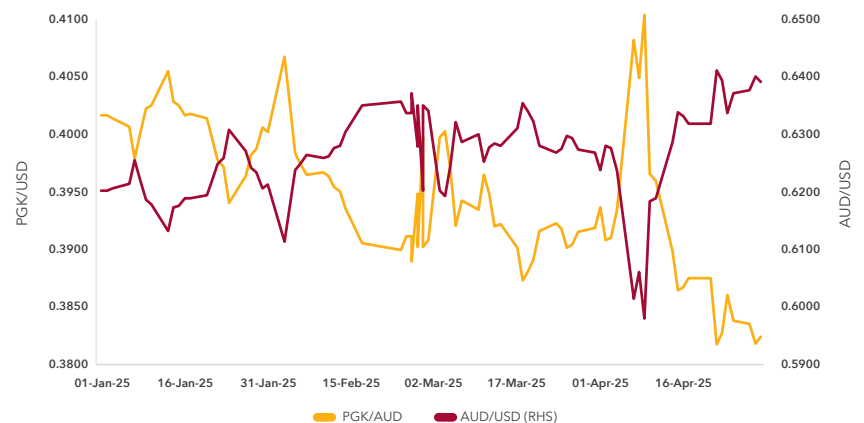


Figure A3: Source: Bank of PNG, Bloomberg, KB Economics

PNG Equities.

2025 First Quarter Earnings Results

Several of PNGX's heavyweights by market capitalization released their 2025 first quarter (Q1) financial results, including BSP, Newmont and Santos.

BSP Financial Group Limited (BSP/BFL): Unaudited Net Profit after Tax (NPAT) increased by 13% to PGK243 million (Q1 2024: PGK214 million), from total revenue of PGK760 million, thanks to a +26% growth in FX income. Operational expenses also increased by +18% to PGK331 million; however, impairment charges dropped by 50% to PGK32 million.

Newmont Corporation (NEM): The NEM Board declared an interim dividend of 25 U.S. cents per share for Q1, following a whopping 962.6% growth in net income to US\$1.9 billion, with total sales revenue of US\$5 billion, up by +25%. Free cash flow was reported at US\$1.2 billion, compared to US\$0.74 billion the prior corresponding period.

Santos Limited (STO): Free cash flow from operations was reported at US\$465 million in Q1, 32.8% lower than the previous corresponding

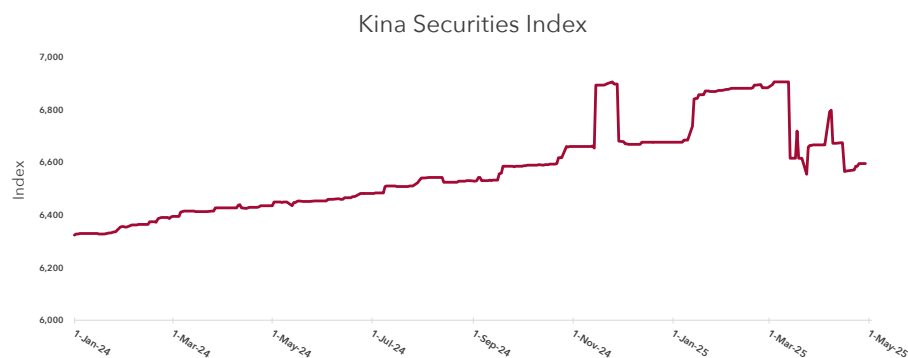
period, from total sales revenue of US\$1.3 billion. This performance was largely due to lower sales volume in crude oil, coupled with lower realized prices for domestic gas and oil-linked LNG sales contracts. However, this was partly offset by higher domestic sales gas volumes.

Market Performance

The PNG Stock Exchange (PNGX) experienced a notable increase in market activity in April, with momentum remaining strong after a very successful 2024 full-year earnings season over the past two months. This played a part in fuelling investors' interest in trading stocks, particularly financial stocks. According to PNGX data, 2.1 million units were traded through 165 individual trades executed by stock brokers. This is nearly +17% higher than the previous month, and +73.5% higher than the average of the last three months.

The Kina Securities Index, a measure of PNGX's stock price movement, deepened losses for two straight months falling -1.2%, as gains in BSP, KSL, and CCP were offset by declines in the heavily-weighted Santos (STO) stocks, as investors took profit following a strong start earlier in the year.

	Apr-25	Mar-25	Change
Trade Count	165	155	6.5%
Total Volume (units trades)	2.1 million	1.8 million	16.7%
Total Value (PGK)	9.5 million	12.2 million	(22.1)



Source: PNGX, KB Economics

Other PNGX announcements

Kina Securities Limited (KSL) announced the appointment of Ian Clough as the new Board Chairman, following the retirement of Mr. Isikeli Taureka from his role as Non-Executive

Director and Board Chairman. Mr. Clough's succession to the role took effect on April 17, 2025.

Kina Asset Management Limited (KAM) announced that the Net Tangible

Asset per share as of 31st March was PGK 1.86. KAM closed April trading at PGK1.75, meaning it was trading at a discount by the end of the month.

Domestic Debt Market.

GIS: April auctions largely undersubscribed

The Government Inscribed Stocks (GIS)/ Bonds auctions in April experienced a significant undersubscription, marking the second consecutive month of underwhelming performance. All weekly auctions during the month were undersubscribed by more than 50%, resulting in a total undersubscription rate of 71.4%, amounting to K142.8 million. This figure represents an increase of over 80% from the previous month's undersubscription.

Out of the K200 million offering, only K52.20 million was raised, resulting in a shortfall of over 73% from the monthly target outlined in the March Issuance Plan by the Department of Treasury. Despite no movements or drops in rates (Weighted Average

Yields), investor interest has declined compared to March and February.

According to the March issuance plan, the government aimed to raise approximately K928 million by the end of April. However, only K820.83 million has been raised, resulting in a shortfall of K107.17 million. Nevertheless, when considering the combined performance of auctions since February, there has been a success rate of over 88%, largely attributed to the stellar performance in February. Despite April being a challenging month for GIS auctions, the overall performance over the past three months indicates that the government appears to be tracking closely to its targets.

March 2025 GIS Auction Results					
Auction Dates	Amount Offered	Bids Received	Successful Bids	Over/undersubscribe	Over/undersubscription rate
Tuesday, 1 April 2025	50.00	10.00	10.00	-40.00	-80.00%
Tuesday, 8 April 2025	50.00	11.00	11.00	-39.00	-78.00%
Tuesday, 15 April 2025	50.00	24.60	19.60	-25.40	-50.80%
Tuesday, 22 April 2025	50.00	11.60	11.60	-38.40	-76.80%
TOTAL	200.00	57.20	52.20	-142.80	-71.40%

Source: Bank of PNG, KB Economics



Domestic Debt Market cont.

T-bills: Fourth month of oversubscription

The Treasury bill (T-bill) auctions in April continue to exhibit strong demand with oversubscriptions across most tenures for the fourth consecutive month. The 182-day T-bill saw a 20% oversubscription rate, while the 273-day T-bill and 1-year T-bill experienced oversubscription rates of 94.38% and 24.05%, respectively. However, the 91-day bill faced undersubscription for the third straight month, with a 6.60% undersubscription rate.

Yield movements were mixed, with the 91-day bill yield rising 58 basis points to close at 4.55%. The 182-day and

273-day yields also increased, adding 54 bps and 24 bps to end the month at 6.39% and 8.24%, respectively. In contrast, the 1-year T-bill yield saw a minor 2 bps drop, closing at 8.21%.

Despite the robust demand, April's auction results were lower than March, with an 11% drop in bids received, and a 4.34% decrease in successful bids month-on-month. This moderation in auction activity could be attributed to several factors, including investors' anticipation of higher rates in the future or a potential reduction in exposure to the domestic debt market

due to various economic and market considerations.

Overall, the T-bill market remains a crucial barometer of investor sentiment and a key funding source for the Government's borrowing needs.

April 2025 - Treasury Bill Auction Results						
Term Days	63 Days	91 Days	182 Days	273 Days	364 Days	Total
Weighted Average Yield	0.00%	4.55%	6.39%	8.24%	8.21%	
Amount Offered	0.00	30.00	50.00	80.00	809.75	PGK969.75
Bids Received	0.00	28.02	60.00	155.50	1,004.47	PGK1,247.99
Successful Bids	0.00	28.02	60.00	130.50	815.47	PGK1,033.99
Over/Undersubscription	0.00	-1.98	10.00	75.50	194.72	PGK278.24
Over/Undersubscription Rate	-	-6.60%	20.00%	94.38%	24.05%	28.69%
Success Rate	-	100.00%	100.00%	83.92%	81.18%	82.85%

Source: Bank of PNG, KB Economics



Commodities.

Cocoa prices recover in April peaking above US\$9,400/mt

Cocoa futures traded near \$8,800 per tonne, down from an over two-month high of \$9,400 hit on the 25th of April, amidst easing worries about supply in the key producing region of West Africa. Dealers said that improved weather conditions benefited the cocoa crops in the Ivory Coast and Ghana, the world's two largest cocoa producers. Cocoa farmers in Ivory Coast noted that trees are flowering again and cherelles are developing into pods, while farmers in Ghana said recent rains have improved crop conditions. (Reuters)

LNG prices remain soft in April after soft Asian demand during Q1/2025

Asia's imports of liquefied natural gas (LNG) remained tepid in April while Europe's started to show signs of the usual seasonal easing as winter peak demand passed. Asia, the world's biggest importer of the super-chilled fuel, is on track to see arrivals of 22.40 million metric tons in April, according to data compiled by commodity analysts Kpler. China's April imports are estimated at 4.77 million tons by Kpler, down from 4.89 million in March and 27% below the 6.5 million tons from April 2024. A factor crimping China's LNG demand is the trade war with the United States, which has seen the world's two biggest economies levy increasing tariffs on each other's imports. China hasn't imported any LNG from the world's biggest exporter in the past two months,

	PRICE (USD)		MONTH		YOY		YTD
Agriculture							
Coffee (US cents/lb)	413.60	↑	8.54%	↑	62.83%	↓	-4.31%
Cocoa (US\$/mt)	9,127.00	↑	14.41%	↓	-10.46%	↓	-9.91%
Palm Oil (RM/tn)	3,971.00	↓	-18.16%	↑	2.78%	↓	-20.51%
Energy							
Brent Crude (US\$/bbl)	63.12	↓	-16.90%	↓	-33.07%	↓	-17.23%
LNG (US\$/mmBtu)	11.22	↓	-15.34%	↑	8.17%	↓	-28.55%
Light Crude WTI Futures (US\$/bbl)	58.21	↓	-20.54%	↓	-34.18	↓	-20.38%
Precious Metals							
Gold (US\$/oz)	3,319.10	↑	5.22%	↑	36.55%	↑	12.51%
Silver (US\$/oz)	32.83	↓	-5.29%	↑	20.83%	↑	0.13%
Base Metals							
Copper (US\$/lb)	4.61	↓	-8.82%	↑	0.97%	↓	-2.05%
Iron Ore (US\$/mt)	94.34	↓	-2.64%	↓	-33.52%	↓	-5.27%

Figure D1, Source: Bloomberg, KB Economics

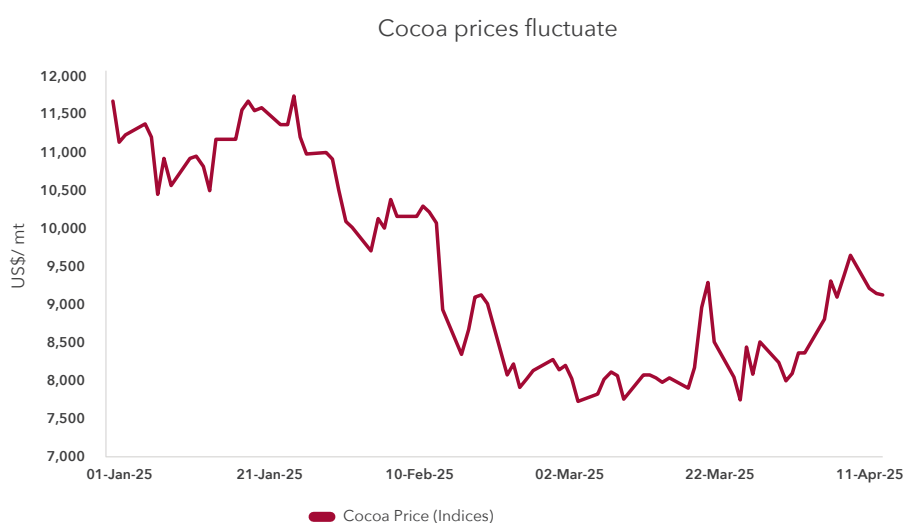


Figure D2, Source: Bloomberg, ICCO, KB Economics

Commodities cont.

ending a trade that saw it import 4.32 million tons from the United States in 2024, or about 5.5% of its total. (Reuters)

Asia's JKM prices were down by 9.6% month-on-month to an average of US\$12.22/mmbtu. Depressed domestic demand, together with higher Russian piped gas supplied is weighing on China's LNG appetite - with the country effectively withdrawing from the spot market, and relying on its long-term, oil-indexed contracts.

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Aisan LNG prices soften in April

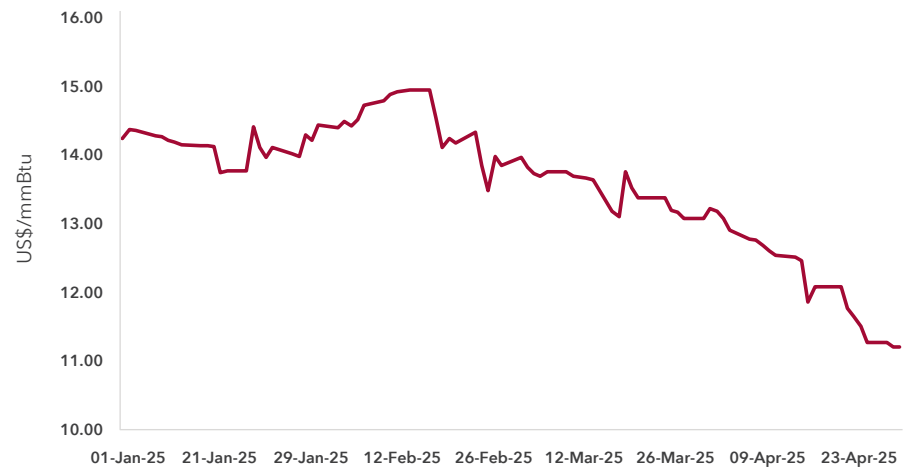


Figure D3, Source: Bloomberg, KB Economics

Gold price continue to climb and peak above US\$3,419/oz

Gold prices peaked at US\$ 3,419/oz on the 25th April. The safe-haven averaged trading at US\$ 3,236/oz during the month as it consolidated at the new high levels. Gold is now trading in unprecedented territory, especially with the on-going geopolitical tensions, an expected acceleration in US deficits and medium-term recession risk.

In terms of global supply of the bullion, the World Gold Council anticipates unprecedented cash generation will allow announced development plans to be advanced and mine production to stay strong. Ghana, Chile and Canada have healthy production pipelines. But disruptions in Turkey and Russia, and cutbacks in Australia highlight the potentially volatile nature of mine production in certain areas. Hedging activity is expected to remain negligible.

Gold price consolidates above US\$3,000/oz during April



Figure D4, Source: Bloomberg, KB Economics

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