

# Monthly Report.

August 2025



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## Monthly Highlights.

### FX market activity down almost 30% m/m

FX Market turnover during August was the lowest in 12 months, dropping 30% from July levels as BPNG's intervention continued to remain very low.

### KSi gains +0.9% Return in August

Share price gains in BSP, KSL, NGP and STO help KSi gained 0.9% return.

### Gold peaks at US\$3,500/oz

US Fed Chair, Jerome Powell's announcement of a possible interest rate rate in the US cut saw investors rushing to gold. The safe-haven pushed towards US\$3,500/oz by the end of August.

### August GIS results exceed expectations

GIS Issuance volume increased by more than +333% m/m. 5-yr GIS paper is tracking at 8.90%, while the 10-yr tenor was trading at 9.40% end of August. There was also the introduction of a 15-year tenor.

### PGK2.1 billion Dividend Payout

High dividend paying companies (BSP, KSL, STO and SST) are estimated to pay out a combined dividend of PGK2.1 billion for 1H2025 to shareholders.

### T-bills hit highest monthly oversubscription

Highest oversubscription to date for the year with an 80% rate.

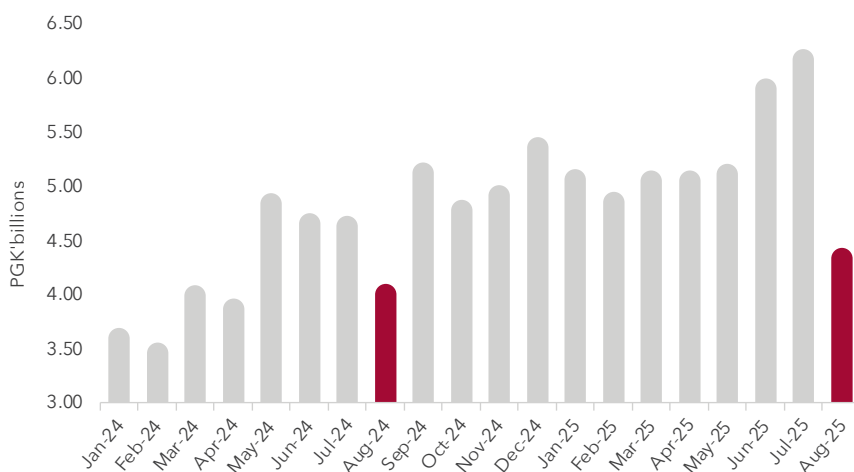
## FX Market.

### Lowest levels of market activity in 12 months

FX activity in August in terms of market turnover was the lowest in 12 months, and down almost 30% m/m. Adjusting for Bank of PNG intervention, there was still considerable market turnover in June and July, with August's levels suggesting that major exporters may have front-loaded their PGK requirements.

Based off last year when there was a 27% increase m/m in September-2024, we could see a possible rebound in market activity this month.

### Market Activity dropped 30% in August



Source: Bank of PNG, KB Economics

## FX Market, cont.

### BPNG intervention levels remain low as order books start to creep up again

The BPNG's intervention program was again very quiet during August. Following no intervention in July, the Central Bank provided US\$15million at the end of August. This is still relatively low compared to the monthly average of US\$83million during the first half of 2025. This low intervention activity has also coincided with reports of an uptick in the import order books once again.

We would assume that BPNG may have reached its own trigger limits in terms of utilising its own FX reserves to support the PGK market. This may change in the coming months as subject to the IMF program's periodic reviews, there is a possibility of the IMF disbursing the next tranche of US\$ funding to provide budget support to the PNG Government.

### Possibility of an interest rate cut in US sees greenback weakness, pushing up the AUD

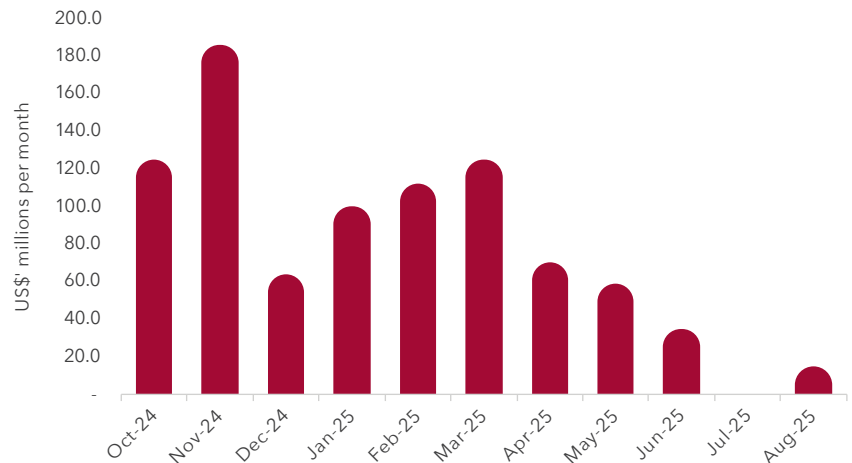
The Aussie dollar (AUD/USD) continued to trade within the band of 0.6400 to 0.6600, which translated to a PGK/AUD cross-rate between 0.3670 to 0.3750.

After opening the month at 0.6435 (PGK/AUD = 0.3749), the AUD was mostly influenced by rhetoric in the US from the US Treasury Secretary and the US Fed Chairman regarding a possible rate cut.

On the 21st August, more hawkish than expected minutes from the US FOMC pushed the USD higher (AUD/USD = 0.6424), however soon after the Fed Chair, Jerome Powell's comments at the famous Jackson Hole Symposium to consider a rate cut in September saw the AUD/USD climb to 0.6539 (PGK/AUD = 0.3672) to close out the month.

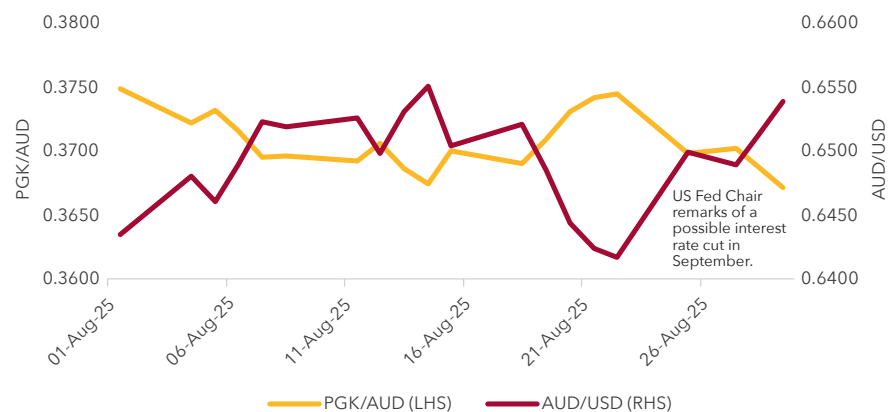
A US Fed rate cut in September could push to the AUD/USD up towards 0.7000, with the PGK/AUD by extension possibly dipping below 0.3600 in the next 4 weeks.

### BPNG intervention levels remain low in August



Source: Bank of PNG, KB Economics

### AUD/USD pushes up towards 0.6600 on possible US Fed cuts in September



# PNG Equities.

## PNGX market activity for August 2025

The Kina Securities Index (KSi), a market capitalization-weighted measure of PNGX-listed companies, climbed 0.9% higher in August (Figure 1.2), extending its winning streak for the fourth consecutive month this year. The increase in the index was mostly driven by share price gains in Kina Securities Limited (PNGX/ASX: KSL), Santos Limited (PNGX/ASX: STO), NGIP Agmark Limited (PNGX: NGP), and BSP Financial Group Limited (PNGX: BSP | ASX: BFL).

Trade volumes continued to decline over July and August, with limited entry points for investors as the market remained mostly quiet.

According to PNGX's Monthly Market Summary Report, the average volume exchanged per trade in August was 7,384 units, which is 33% m/m lower. Through July and August, the average volume traded has dropped by nearly 73%, which is consistent with historical trends. This suggests that the market has been largely dominated by retail investors, as indicated by trade size and the KSi.

Total volume traded during the month was 716,224 units, valued at PGK5.3 million. Compared to July, the total volume traded was down by 53% m/m. In addition, financial sector stocks continued to dominate PNGX market activity, with this month making up about 88% of the total volume traded during the month.

## Average Volume/trade

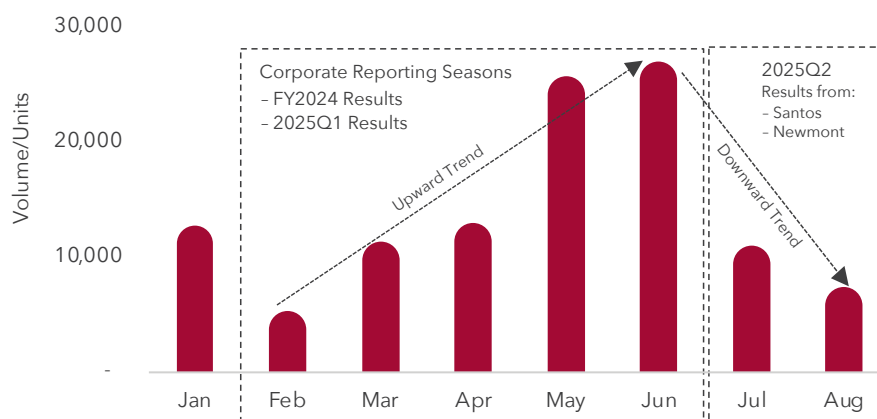


Figure 1.1

## KSi Index

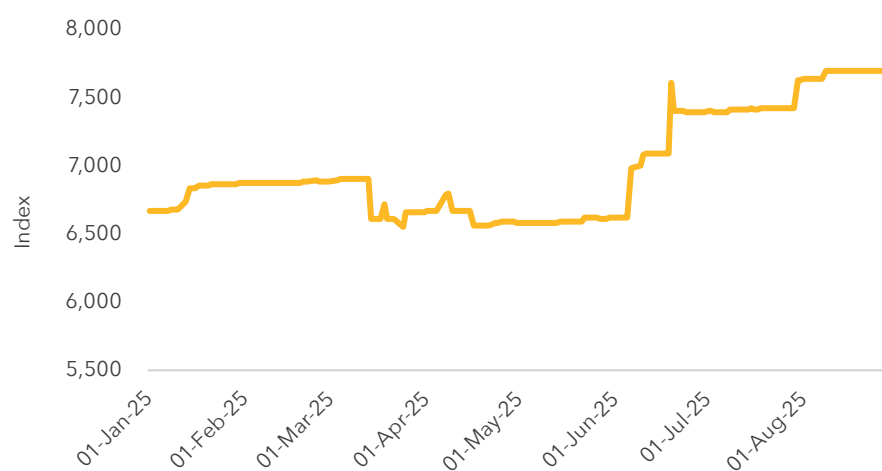


Figure 1.2

# Market Announcements.

## Half-Year Reporting Season

Late in August, several high dividend paying PNGX-listed companies including BSP Financial Group Limited (PNGX: BSP | ASX: BFL), Kina Securities Limited (PNGX/ASX: BFL), Santos Limited (PNGX/ASX: STO), and Steamships Trading Company Limited (PNGX/ASX: SST) released their half-year results for 2025.

The combined 2025 half-year dividend to be paid is estimated to be around PGK2.1 billion, scheduled to be disbursed in the coming weeks. *(PGK2.1 billion includes Santos' declared dividend of PGK1.8 billion, converted using the PGK/USD FX rate at 30/06/25).*

Ticker	Interim Dividend (Toea/US Cents)	Ex-Date	Record Date	Payment Date
BSP	50.0	27/08/2025	28/08/2025	19/09/2025
KSL	12.6	01/09/2025	02/09/2025	02/10/2025
SST	40.0	03/10/2025	06/10/2025	31/10/2025
STO	13.4	02/09/2025	03/09/2025	01/10/2025

## NEM | Credit Rating Upgraded to A3 by Moody's

Newmont Corporation (PNGX/ASX: NEM) announced to the market that it had received an A3 credit rating from Moody's Rating agency, upgraded from Baa1, with a stable outlook. This rating places Newmont in a strong position for sourcing capital and improves investors' confidence in the company.

## KSL | Change in KSL Board

The KSL Board announced the appointments of Lutz Heim and Robert Nilkare OBE OL as independent Non-Executive Directors to its Board. Mr. Andrew Carriline has also been appointed to succeed Ms Karen Smith-Pomeroy as Chair of the Board Audit Committee. Ms. Smith-Pomeroy retires having served her maximum allowable nine-year term.

## Highlights

- **BSP** reported a 9.8% y/y growth in net profit after tax (NPAT) to PGK572 million during the first half (vs 1H24 PGK521 million), with total income rising PGK1.6 billion (vs 1H24 PGK1.5 billion), also up by 9.8% y/y. The BSP Board announced a total interim dividend payout of PGK233.6 million or 50 toea per share to shareholders for the first half.
- **KSL** achieved a 37% growth y/y in NPAT to PGK57.7 million (vs 1H24 PGK42.2 million) during the first half. Income from ordinary activity in the first half increased by 10% y/y, totalling PGK251 million (vs 1H24 PGK227.5 million). Total interim dividend declared was PGK36.5 million or 12.6 toea per share.
- **SST** announced an unaudited first half NPAT of PGK24.8 million, down 1.7% compared to the same period in 2024, despite a 6.7% y/y growth in total revenue during the first half of 2025. The decline was attributed to the dilution of the Group's control interest over one of its subsidiaries. Steamships proposed an interim dividend of 40 toea per share, subject to Board approval.
- **STO** Board declared an interim dividend of 13.4 U.S cents per share, despite reporting lower half-year results. NPAT declined by 31% y/y to US\$439 million (vs 1H24 US\$659 million), with total sales revenue down by 5% y/y, driven by lower product sales due to lower realized prices (Crude Oil and Condensate) and higher impairment charges. Earnings before Interest, Tax, Depreciation, Amortization and Exploration Expenses (EBITDAX) was relatively unchanged from the prior corresponding period at US\$1.8 billion during the first-half (vs 1H24 US\$1.8 billion), while free cash flow during H1 stood at US\$1.1 billion.

# PNG Domestic Debt Market.

## August GIS results exceed expectations

Term (years)	2	3	4	5	6	7	8	9	10	15	TOTAL (PGK' m)
Coupon	8.50%	-	8.80%	8.90%	9.00%	9.10%	9.20%	9.30%	9.40%	9.50%	
Weighted Average Rate (WAR)	8.60%	-	8.85%	8.93%	9.03%	9.12%	9.21%	9.34%	9.43%	9.60%	
Amount Offered	50.00	-	50.00	100.00	50.00	100.00	50.00	100.00	100.00	50.00	PGK 650.00
Bids Received	17.90	-	64.00	105.00	70.00	130.00	91.00	193.00	134.50	75.00	PGK 880.40
Successful Bids	5.40	-	64.00	105.00	70.00	130.00	91.00	190.00	131.50	20.00	PGK 806.90
Over/Under subscription	-32.10	-	14.00	5.00	20.00	30.00	41.00	93.00	34.50	25.00	PGK 230.40

Source: Bank of PNG, KB Economics

The August auction for Government Inscribed Stocks (GIS)/bonds demonstrated significant growth and strong recovery, with record highs across the market, ending a streak of consecutive undersubscriptions for the past five months.

Issuance volume increased by more than 333% from the previous month (K150 million in July), with a total of K650 million offered to the market, attracting bids reaching an impressive K880.40 million. This resulted in an oversubscription of K230.40 million, while successful bids totalled to K806.90 million.

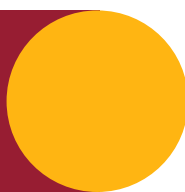
### There was strong investor appetite for medium to long-term securities, particularly for the 7-10 year range.

The 9-year and 10-year bonds emerged as the most preferred securities, while the 2-year bond showed weaker demand. A notable development was the introduction of a new 15-year bond, effectively extending the Government's debt maturity profile.

The Department of Treasury has reverted back to a monthly issuance cycle, pulling back from the weekly auctions implemented earlier this year.

The 2025 Debt Financing Plan stated that the 'tentative issuance schedule' was 'subject to change based on investor demand and cash needs', hence we assume that there is sufficient investor demand for GIS at the current level of issuance, and investors may be willing to purchase larger quantities of bonds less frequently.

Furthermore, moving to monthly auctions can reduce administrative costs of conducting auctions, and potentially attract long-term investors and align borrowing needs with cash flow requirements.



## PNG Domestic Debt Market, cont.

### Treasury bills hit highest monthly oversubscription to date for 2025

Term (days)	2	10	15	TOTAL (PGK' m)
Weighted Average Yield	7.98%	8.22%	8.20%	
Amount Offered	40.00	85.00	1,169.00	PGK 1,294.00
Bids Received	152.82	298.22	1,878.43	PGK 2,329.47
Successful Bids	151.80	173.30	1,178.74	PGK 1,503.84
Over/Undersubscription	112.82	213.22	709.43	PGK 1,035.47
Over/Undersubscription Rate (%)	282%	251%	61%	80%
Success Rate (%)	99%	58%	63%	65%

Source: Bank of PNG, KB Economics

Treasury Bills (T-bill) demonstrated robust activity in August, hitting the highest oversubscription to date for the year with an 80% over-subscription across all short-term tenors. The month recorded five weekly auctions, with a total offering of K1, 294 million, attracting K2, 329.47 million in total bids and generating a total of K1, 503.84 million in successful bids.

The first week of auctions saw an undersubscription of PGK54.71 million, however from the second week through to the final week, auction results maintained a strong oversubscription trend, indicating sustained investor confidence.

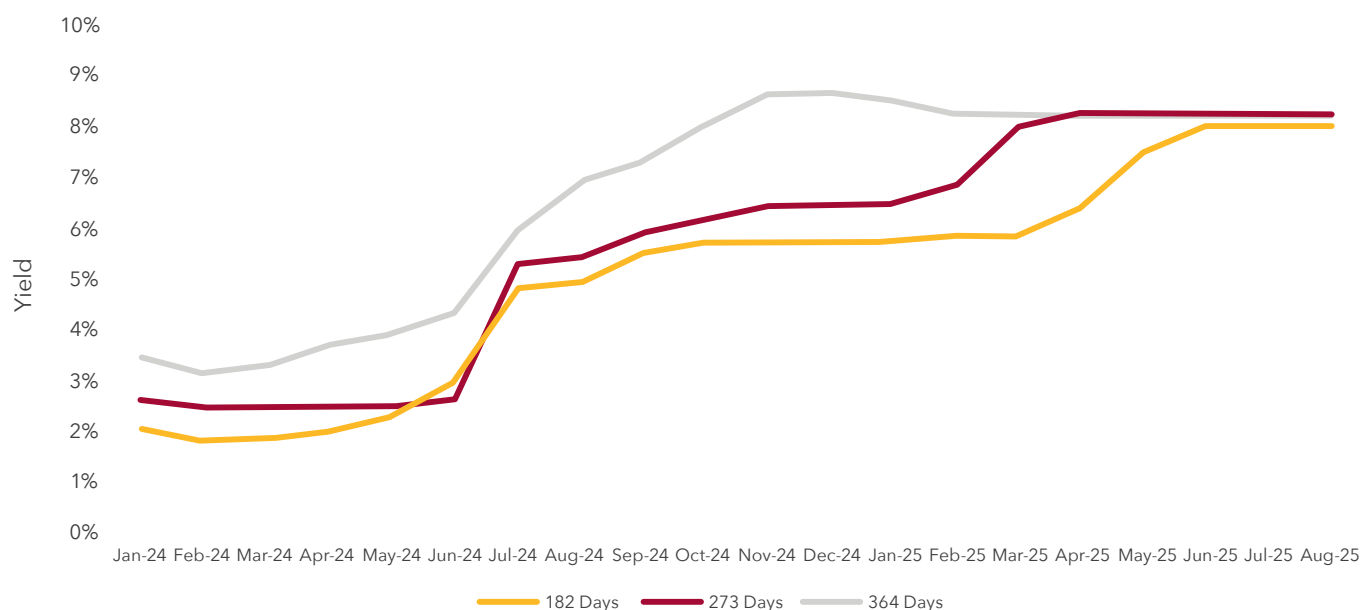
Yield movements remained relatively stable throughout the month, with all

tenors experiencing marginal declines of 2 basis points (bps) by the end of the month. The 1-year T-bill dropped twice during the month by a modest 1bps; while the 182-day and 273-day T-bills dropped 2 bps each in the final week.

Investors continue to show demand for shorter-dated government securities, evident in the subscription rates witnessed in August; with both the 182-day and 273-day T-bills reaching an oversubscription rate of 282% and 251% respectively. The 1-year T-bill also continues to attract investors, as its demand increased by 66 bps from the previous month to end August at a 61% oversubscription rate.

Overall, looking broadly at the performance of T-bills so far, monthly auctions have been mostly oversubscribed this year, with only one month of undersubscription (May 2025), indicating a consistent investor appetite for short-term government debt securities, aided by favourable liquidity conditions in the market.

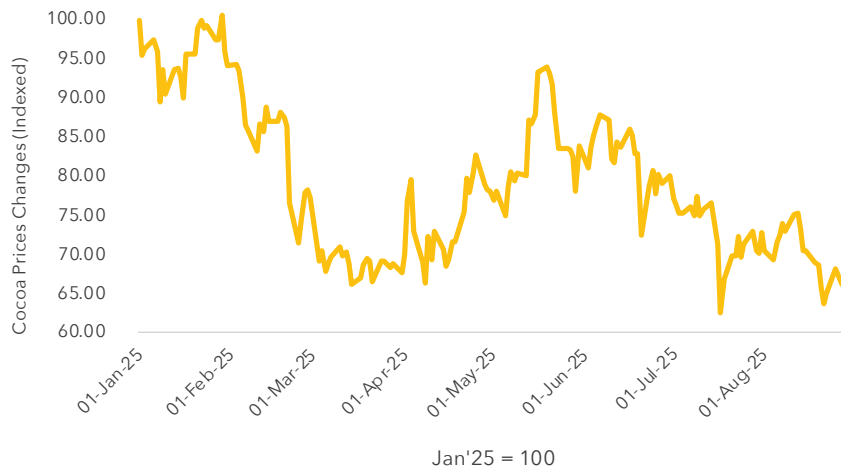
### Yield for T-bills since January 2024



Source: Bank of PNG, KB Economics

# Commodities.

## Cocoa prices down 35% YTD



Source: Bloomberg, ICCO, KB Economics

**Following a dip in in July, cocoa prices continued to move lower during August with the global ICCO benchmark closing another 10.2% lower m/m.**

Cocoa prices have been falling off the back of improved production supplies as weather conditions in major suppliers (Western African region) continue to recover from last year.

According to analysts at JP Morgan, higher costs and tighter margins is causing softer-demand from manufacturers.

This year, the global benchmark ICCO spot price has already fell 34.6% year-to-date.

This may also partially explain recent slowdown in export receipts coming back into the domestic FX market.

Reports and data for August 2025 show that LNG prices were mixed globally, with moderation in European and Asian spot markets contrasted by sustained strength in the U.S. market. Significant new U.S. LNG supply entered the market, but regional factors like weather and storage levels had a greater impact on pricing. Asian spot prices held steady despite softer demand, as traders eyed increasing competition for cargoes with Europe.

A strong rally into month-end saw gold reach US\$3,500/oz to the end of August. Possible interest rate cuts in the US in September are pushing up demand for the safe-haven asset as investors look for yield.

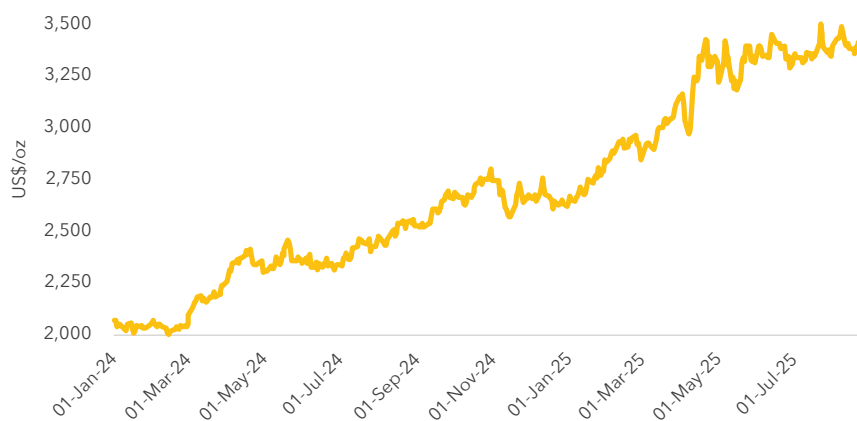
According to the World Gold Council, gold's sensitivity to US real interest rates may increase as Western investors, particularly in the US, take a more active role amid softer demand from emerging markets. While rates in the long end remain sticky, this reflects growing stagflation concerns – an environment that has historically supported gold price to move higher.

## Asian LNG prices subdued in August



Source: Bloomberg, KB Economics

## Gold price peaks above US\$3,500/oz



Source: Bloomberg, KB Economics



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