Monthly Market Sivarai Report.

June 2026

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FX Market Update.

US$ fades after early strength, chops sideways

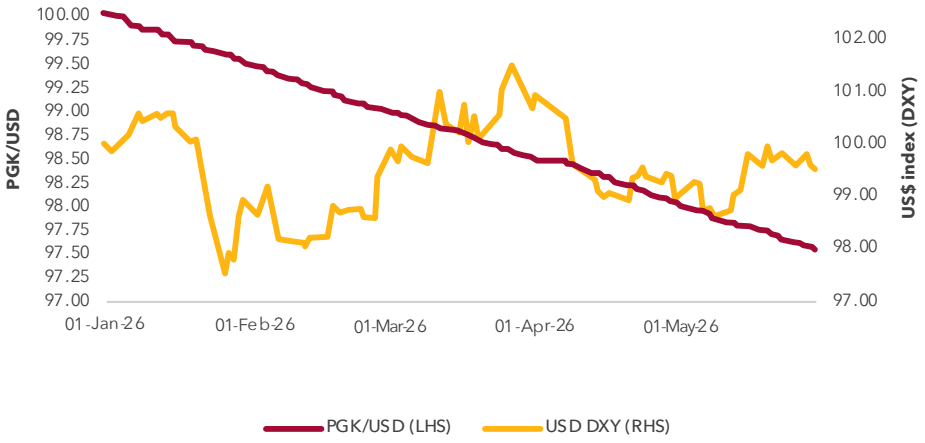
As the PGK/USD continued its crawl, the US BBDXY (US index against major currencies) was range bound in May, with an early uptick fading into sideways trading.

The dollar softened mainly because its interest rate premium eroded and safe haven demand faded, leaving it range bound rather than supported by strong inflows.

The softer USD tone supported mild strength in AUD, NZD, and SGD, while JPY stabilised but underperformed amid weak safe haven demand.

Markets still expect rate cuts / easing bias, which typically pressures the USD. Only renewed shocks (geopolitics, growth scare) would push it higher.

PGK/USD continues 0.5% m/m crawl



Source: Bank of PNG, KB Economics

BPNG intervention levels drop

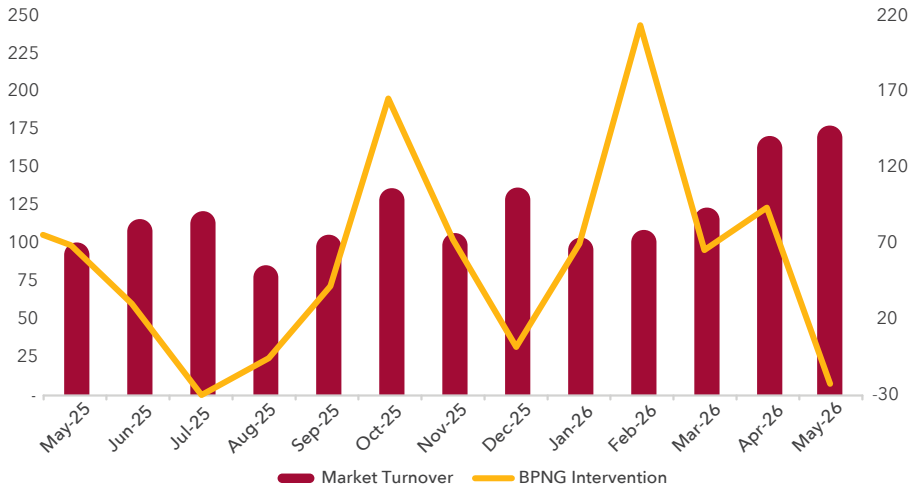
BPNG injected US$5 m into the domestic FX market during May, whilst overall market activity remained consistent.

Import order book clearance turnaround times have greatly reduced, without much BPNG intervention in the past 2 months. This has coincided with the 12-monthly moving average nominal PGK depreciation of 0.5% per month.

The Bank of PNG's target for an equilibrium "level" is conditional on import orders being cleared not a nominal exchange rate per se.

The Monetary Policy Committee (MPC) resolved to continue with the 'crawl-like' exchange rate regime in its March meeting.

Market activity remains high



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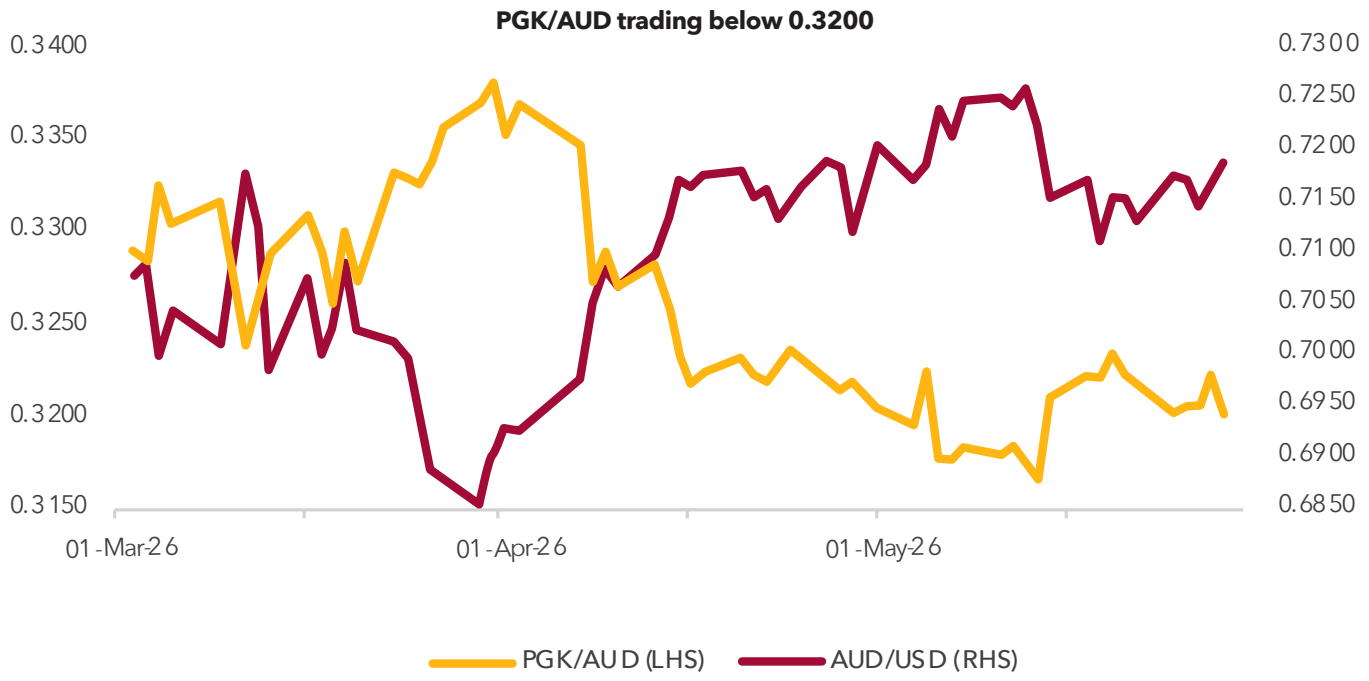
FX Market, cont.

AUD/USD remaining above 0.7000

The AUD should stay steady, helped by still high inflation in Australia, while the US dollar may weaken slightly if US interest rates ease.

We maintain the AUD/USD will continue in the broad range of 0.70–0.74 through H2-2026.

	PGK/USD	AUD/USD	PGK/AUD
Jun 26	0.2281	0.7200	0.3167
Jul 26	0.2269	0.7300	0.3108
Sep 26	0.2235	0.7300	0.3077
Oct 26	0.2235	0.7300	0.3062
Nov 26	0.2224	0.7300	0.3047
Dec 26	0.2213	0.7300	0.3031



Source: Bloomberg, Bank of PNG, KB Economics

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PNG Equities.

Small Number of Large Investors Dominate Activity

Total value exchanged was PGK35.4m, 7% lower m/m.

Total volume traded was 5.1m units, 65.5% higher m/m.

Total number of trades executed was 135, 0.7% higher m/m

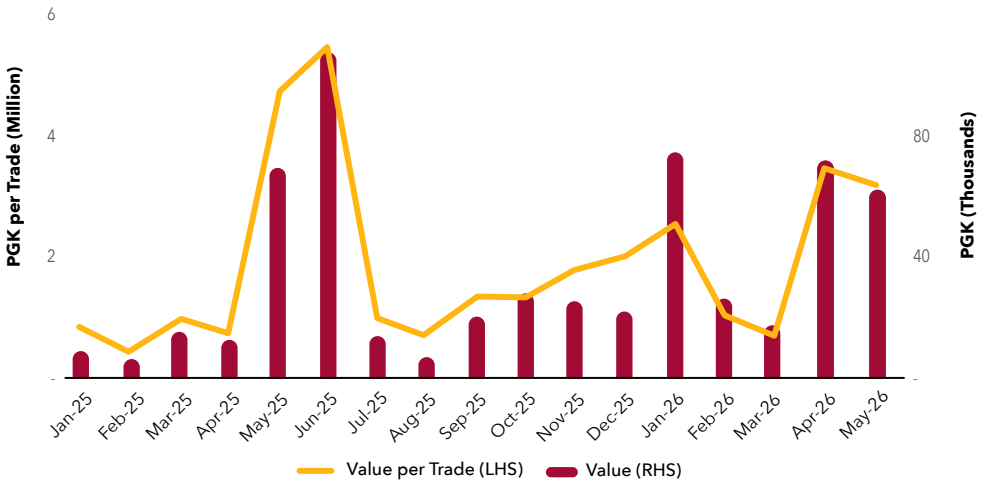
However, **average value per trade** was PGK261,923.06: third highest for the year.

PLC stock was most actively traded. Of the total volume, PLC accounted for 71%, followed by BSP with 25% share price gain.

The Kina Securities Index (KSI) reported a 0.2% return driven.

- BSP (3.9%)
- KSL (11.9%)
- PLC (23.1%)
- STO (1.1%)

Value and Value/trade



Source: PNGX, KB Economics

KAM: PGK2.14 NTA per Share

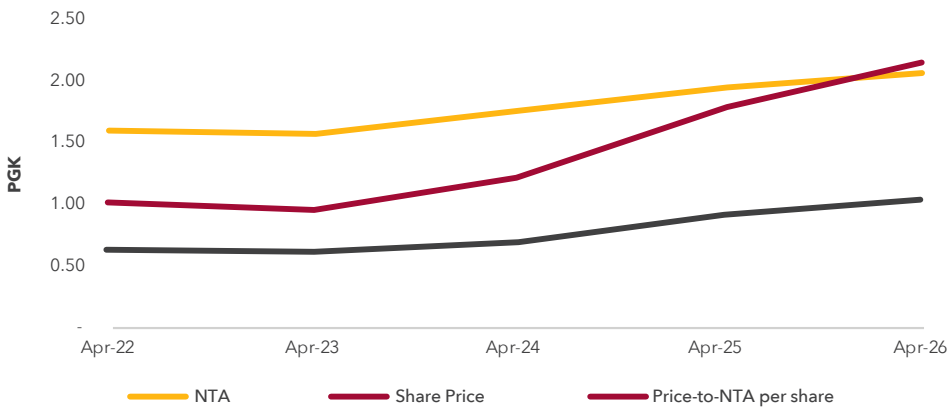
Kina Asset Management (KAM) reported a Net Tangible Asset (NTA) per share of PGK2.14 for the period ending 30 April 2026.

KAM's share price at the same time was PGK2.05 per share.

This implies a price to NTA ratio of approximately 1.0x, compared to 0.9x in 2025 and 0.7x in 2024; reflecting the Group's ongoing effort to strengthen and improve the performance of its investment portfolio.

The par valuation indicates that investors have re-rated the stock and are purchasing the company's share close to the value of its portfolio.

KAML: Share Price vs. NTA per Share



Source: PNGX, KB Economics

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PNG Equities, cont.

CPL Declares 4 Toea Final Dividend

The City Pharmacy Limited (CPL) Board declared a final dividend of 4 Toea per share for the year ending 31 December 2025.

This brings the total dividend for 2025 calendar year to 9 Toea per share, including the 5 Toea interim dividend.

The Group scheduled the dividend payout on the 3rd June 2026.

Dividend yield for the CPL Group is 13.8%, with a total shareholder return of 7.2%.

CPL: Shareholder Returns

	FY22	FY23	FY24	FY25
Total Dividend	0.05	-	-	0.09
Share Price Gain	(0.05)	(0.11)	(0.10)	(0.04)
Dividend Yield	5.6%	-	-	13.8%
Total Shareholder Return	0.0%	(12.2%)	(12.7%)	7.2%

Source: Bank of PNG, KB Economics

PNG Government Securities.

10-year Government bond at 6.72%

Investor Sentiment: May's auctions were oversubscribed by PGK266.63m, a significant jump from April's oversubscription, with a 292% gain from the oversubscription seen in April's auctions (PGK68m), signalling liquidity in the market.

Yield Movements: Weighted Average Rates saw a downward movement (m/m) with the 10- and 15-year bonds each losing 39 bps and 40 bps respectively. Meanwhile coupon rates increased, signalling a rising interest rate environment.

Bond Performance: The 10-year bond saw the highest demand,with an oversubscription rate of 117% while investor interest was mixed across the other tenors, as the 7-year bond had the lowest demand for the month.

None of the tenors reached 100% success rate, however the 3-year bond came close with a 91% success rate, and an overall 70% rate as investor demand remains strong.

May 2026 GIS Auction Results

Term (Years)	3	5	7	10	15	Total (PGK'm)
Coupon Rate	6.30%	6.70%	6.80%	6.90%	7.30%	
Weighted Average Rate (W.A.R)	6.17%	6.49%	6.61%	6.72%	7.06%	
Amount Offered	40.00	100.00	60.00	100.00	80.00	**380.00**
Bids Received	58.00	137.00	71.00	216.63	164.00	**646.63**
Successful Bids	53.00	100.00	60.00	162.00	80.00	**455.00**
Over/Under subscription	18.00	37.00	11.00	116.63	84.00	**266.63**
Subscription Rate	45%	37%	18%	117%	105%	70%
Success Rate	91%	73%	85%	75%	49%	70%

Source: Bank of PNG, KB Economics

May's Government Inscribed Stock (GIS) auctions had a total of PGK380m offered to the market, consistent with the issuance plan for Q2 released in April.

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PNG Government Securities, cont.

Auction Results: The Government offered PGK1.22b across the three main debt instruments (182 d, 273 d, and 364 d), while investors submitted bids amounting to PGK2.59b.

The auctions resulted in a total monthly oversubscription of PGK1.37b, a 4% (m/m) drop from April 2026.

Weighted Average Yields

- 182-days T-bill lost 36 bps (m/m) to end at 5.00%
- 273-days T-bill dropped by 49 bps (m/m) to close at 5.01%
- 1-year T-bill decreased by 56 bps (m/m) to close at 4.91%

Investor Outlook: Demand continues to persist for the 182 Day T-bill, with its oversubscription rate at 419%, a 48% (m/m) increase from April, indicating a higher preference for shorter term government securities.

May 2026 Treasury Bill Auction Results

Term (Days)	182 Days	273 Days	364 Days	Total (PGK)
Weighted Average Yield	**5.00%**	**5.01%**	**4.91%**	
Amount Offered	50.00	270.00	901.00	**1,221.00**
Bids Received	259.35	641.84	1,694.04	**2,595.23**
Successful Bids	60.15	231.34	945.84	**1,237.33**
Over/Undersubscription	**209.35**	**371.84**	**793.04**	**1,374.23**
Over/Undersubscription Rate	419%	138%	88%	113%
Success Rate	23%	36%	56%	48%

Source: Bank of PNG, KB Economics

Treasury Bill (T-bill) auctions in May were oversubscribed by 113% the second highest oversubscription rate after April's high, while the bids received improved by 9% recovering the drop in April.

Commodities | Gold.

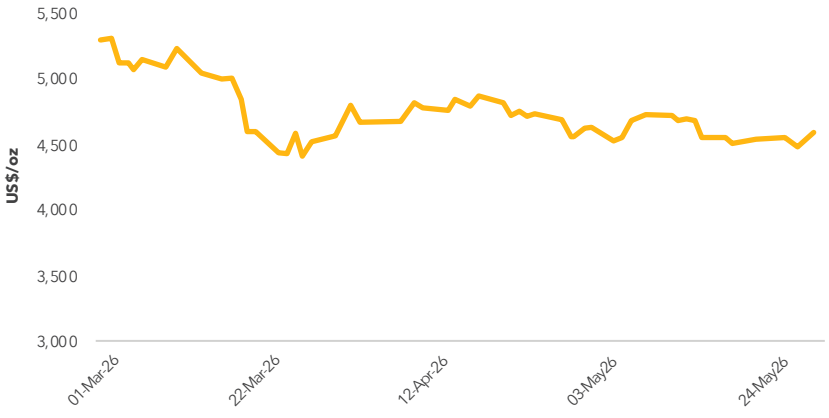
Global risk to continue driving gold sentiment

Gold fell during May 2026 due to higher real yields, a stronger USD, and post-rally correction, while geopolitical tensions and central bank demand provided partial support, keeping prices near US$4,500/oz.

Over the next six months, gold prices will continue to be shaped by global forces If interest rates remain high and the US dollar gains further strength, gold may struggle.

The World Gold Council (WGC) expects gold to trade sideways around current levels, with direction depending heavily on interest rates, the US dollar, and global risk conditions.

Gold trading around US$4,500/oz



Source: Bloomberg, KB Economics

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Commodities | Brent Crude Oil.

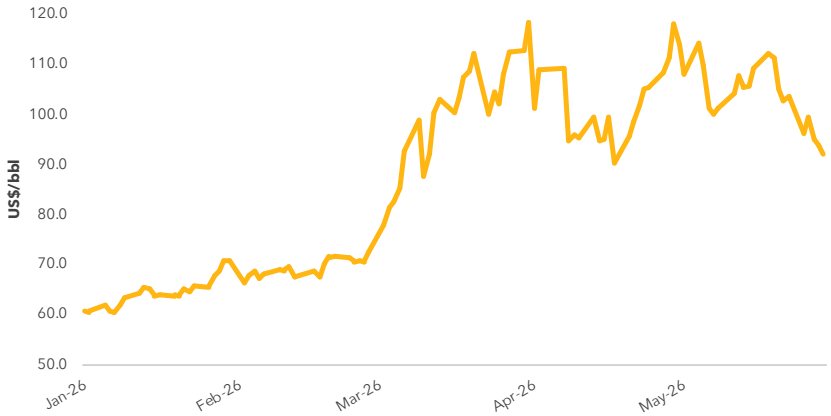
Geo-politic risks and OPEC+ main drivers

In May 2026 Brent crude oil traded in a highly volatile range of roughly US$92 to US$114 per barrel, averaging about US$104bbl as markets reacted to supply disruptions linked to Middle East tensions and the temporary closure of key shipping routes.

Looking ahead, prices are expected to ease toward the US$90-100 range over the next six months, though volatility will remain elevated. This outlook reflects a gradual recovery in supply alongside softer global demand.

The main drivers will be geopolitical risks in the Middle East and the pace of supply restoration and OPEC+ decisions.

Brent crude prices easing



Source: Bloomberg, KB Economics

Commodities | LNG.

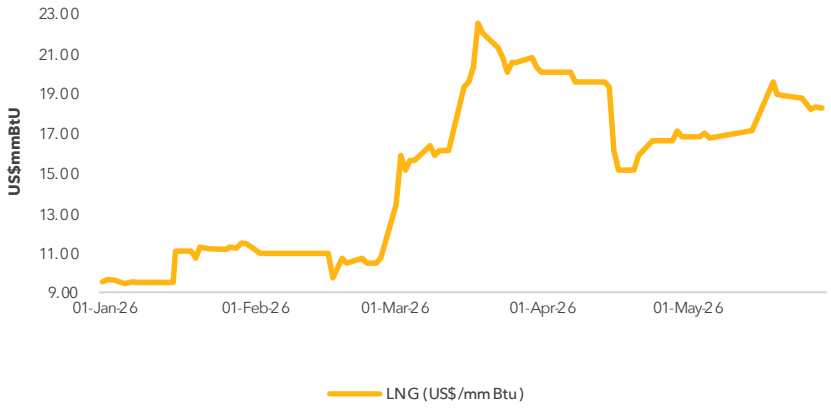
LNG prices remain elevated

Asian LNG prices in May were mainly driven by geopolitical supply risks, intermittent outages, and emerging summer demand, offset at times by cautious buying and easing tensions.

As Asia moves into late spring and early summer, electricity demand starts rising sharply due to air conditioning use. Utilities (especially in Japan, Korea, China and South Asia) increase LNG purchases to fuel gas-fired power plants.

In May 2026 the market began pricing in expectations of hotter-than-normal weather, meaning stronger cooling demand ahead. This forward looking demand tends to push spot LNG prices higher even before peak summer arrives.

Emerging summer demand



Source: Bloomberg, KB Economics

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Commodities | Coffee.

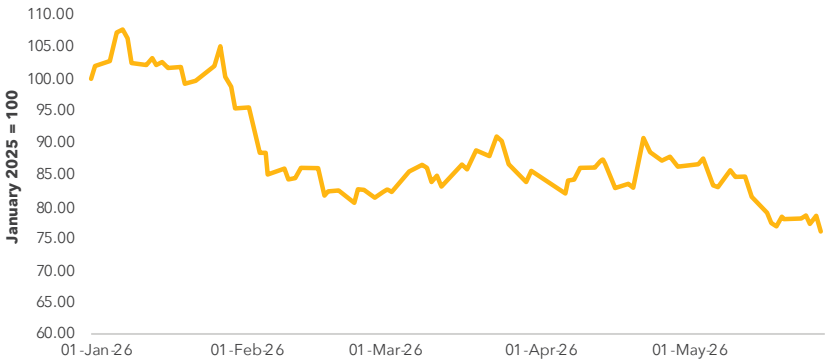
Supply side driving prices

Coffee prices softened in May as the market anticipated more supply, especially from Brazil, but remained volatile. For the rest of 2026 prices are likely to gradually ease or stabilise, with strong demand providing support but improving global production acting as the main downward force.

A record or near-record Brazilian crop (up to ~17% higher) is expected. Recovery in Vietnam and other producers is adding to supply, creating a potential global surplus in 2026/27.

On the demand side, global consumption continues to grow, especially in Asia.

Coffee prices easing



Source: Bloomberg, KB Economics

Commodities | Cocoa.

Weather risk to keep supply fragile

Cocoa prices in May 2026 were highly volatile but generally stabilising, following a sharp correction earlier in the year. The market had already transitioned from the extreme highs of 2024/25 into a lower but still elevated price range, and May reflected a tug of war between improving supply and lingering risks.

Improving West African mid-crop and main crop outlook, rising global inventories, and expectations of a 2025/26 surplus will weigh on prices, though weather risks (El Niño, rainfall variability) keep supply fragile.

Demand remains soft but stabilising– high past prices reduced chocolate consumption and grindings, but gradual recovery is expected as prices ease. Buyer caution and inventory management will limit upside.

Cocoa price trend in May 2026



Source: Bloomberg, KB Economics

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