Monthly Market Sivarai Report.

July 2026

kinabank Together it's possible

FX Market.

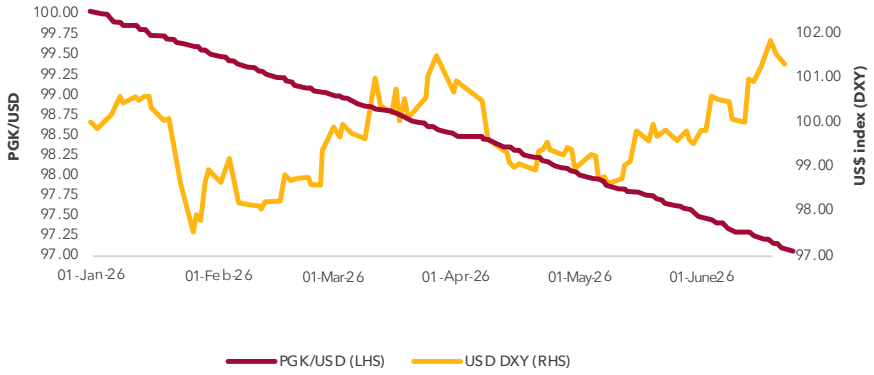
PGK/USD crawl continues

The PGK/USD 'cawl' continued at 0.48% m/m during June, continuing the Monetary Policy Committee's stance for a 0.5% m/m crawling peg towards 'equilibrium.

On the cross-rate with major currencies, the PGK struggled because of US dollar weakness for much of Q2. The Bloomberg Dollar Spot Index (BBDXY) and other broad dollar measures fell through most of April and May before stabilizing and partially recovering in June.

The greenback weakness was a result of narrowing US rate advantage as markets price additional Fed easing over the medium term, coupled with US fiscal deficits and debt sustainability which reduced foreign appetite for dollar assets at the margin.

US dollar falls in Q2, June recovery



Source: Bank of PNG, KB Economics

BPNG Intervention increases

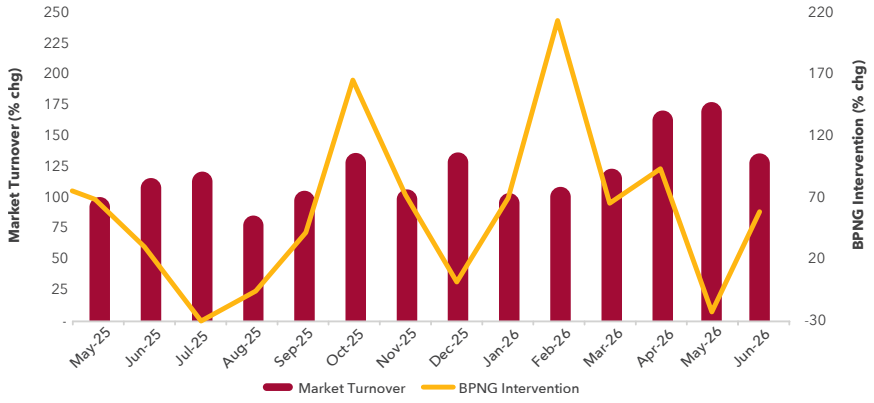
BPNG re-entered the market with intervention of US$50m worth to the market, after a very quiet May.

In terms of total market activity, monthly market turnover for June was the third straight month above PGK8b, signalling greater export flows continuing into Q2.

PNG's commodity export prices continue to trade at elevated levels, which should see exporter flows continue into the second half of this year.

H2 market activity in the PGK FX market is typically 15% higher than Q1 activity levels on a monthly average basis (in terms of market turnover). H1/2026 monthly average was also averaging PGK7.3b, which was 55% higher than the first half of last 2 years. This signals greater export inflows and therefore market liquidity and the market continues to correct itself.

Market turn over holds above PGK8b



Source: Bank of PNG, KB Economics

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FX Market, cont.

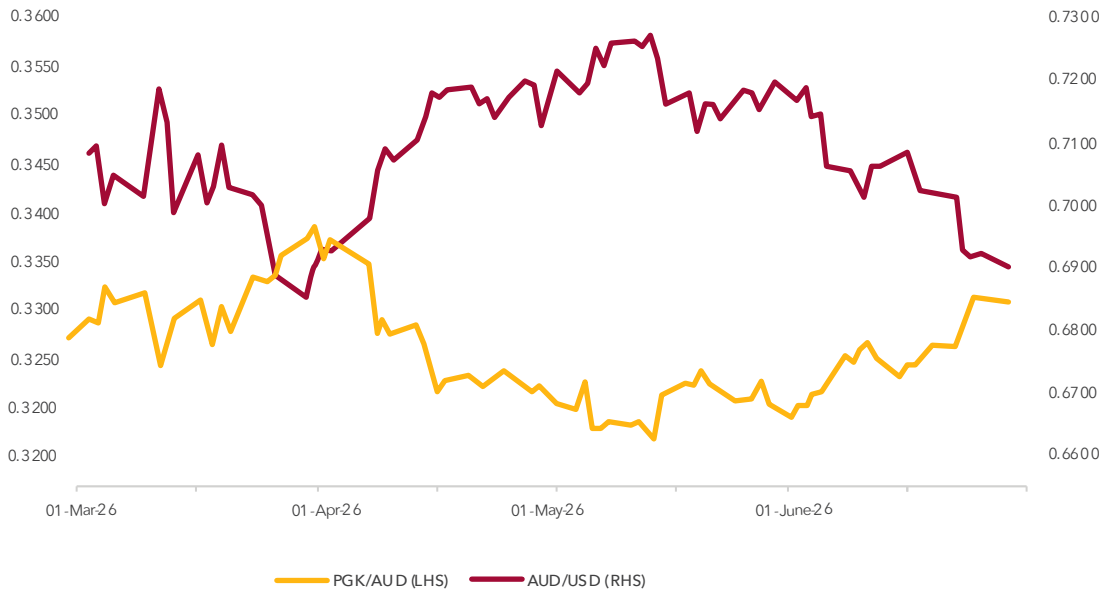
Bearish outlook on AUD/USD

Stronger than expected US data in June with expectations of a possible USD interest rate hike, saw the AUD/USD maintain its level below the 0.7000 mark to end Q2.

The bearish outlook on this currency pair driven up the PGK/AUD expectations, with our forecasts now revised up nearly 5% from our previous forecast, but we still maintain the US appreciation on this pair will be tempered with the RBA's outlook on the economy.

	PGK/USD	PGK/AUD (Revised)
Jul 26	0.2281	0.3313
Aug 26	0.2269	0.3311
Sep 26	0.2258	0.3317
Oct 26	0.2252	0.3304
Nov 26	0.2247	0.3271
Dec 26	0.2241	0.3240

AUD/USD maintain below 0.7000



Source: Bank of PNG, KB Economics

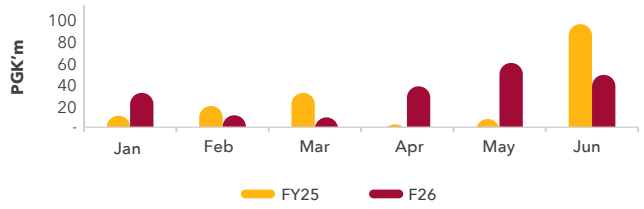
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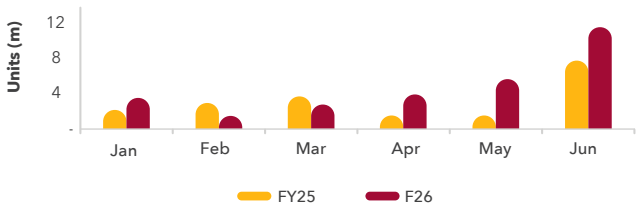
PNG Equities.

Strong First-Round Earnings from PNGX's Dual-Listed

Value Over Time



Volume Over Time



Source: PNGX, KB Economics

PLC most traded stock by volume

A total of PGK48.3 million in cash was traded on the PNG Stock Exchange (PNGX), representing an increase of +36.5% m/m and +58.9% higher YTD. However, the total value recorded was 49% lower y/y, with investors purchasing large volumes of recently listed Pacific Lime & Cement Limited (PLC).

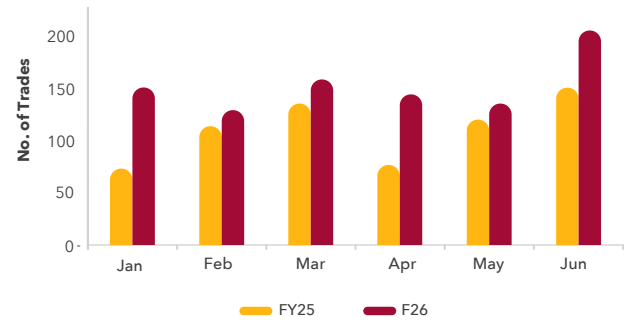
Total volume traded reached 11.3 million units, compared to 5.1 million units in May, marking the highest monthly volume recorded so far in 2026. Successive m/m growth in trading volume since February mirrors the trend observed last year. However, the number of shares traded this year has been relatively higher, averaging nearly 56% above the last year's levels, indicating improved market activity.

PLC dominated trading by volume , with 8.7 million shares trading at the volume-weighted average share price of PGK1.45 per share.

Market trade count increases

Stockbrokers executed 206 trades during the month, +52.6% higher m/m and 36.4% higher than the corresponding period in 2025 reflecting more investor participation.

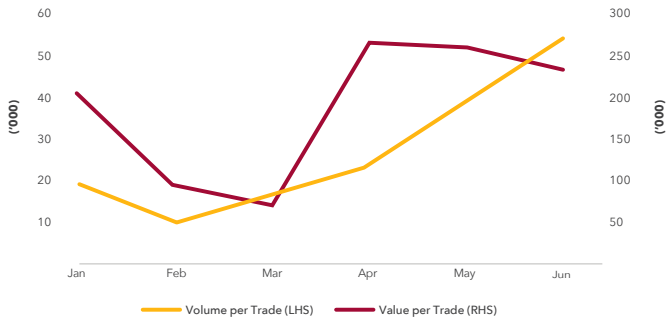
BSP and KSL were the most actively traded stocks by number of trades, accounting for 34.5% and 33.5% of the total trades, respectively.



Source: PNGX, KB Economics

Institutional investor appetite increasing

Investor participation was predominantly large investor or institutional, as indicated by large average trade sizes and the presence of block trades, particularly in PCL, alongside some fragmented retail activity.



Source: PNGX, KB Economics

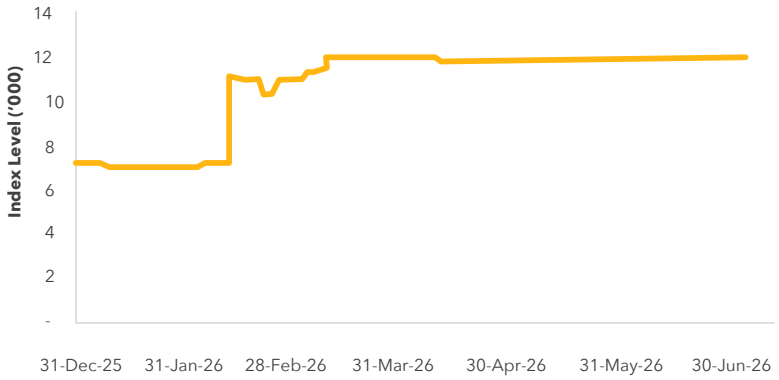
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PNG Equities, cont.

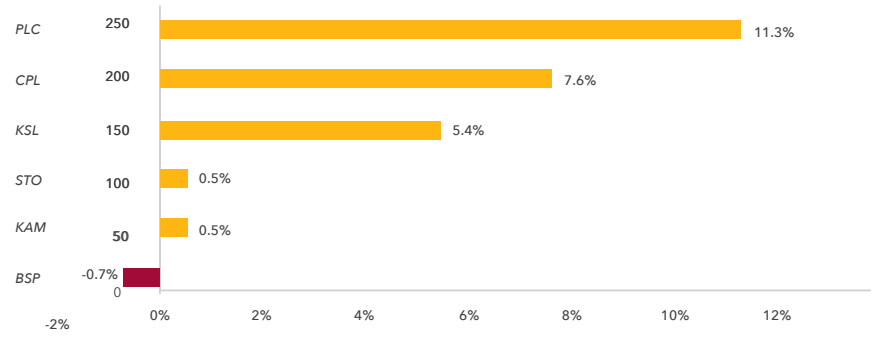
KSi gains on KSL and STO increases

The Kina Securities Index (KSI), a measure of PNGX-listed stocks, inched 0.1% higher in June compared to the previous month, extending gains for the second straight month.



Source: PNGX, KB Economics

The slight gain in the KSI was attributed to share price increases in the heavily-weighted KSL (+5.4%) and Santos (STO) stocks (+0.5%). These gains were limited by a -0.7% loss in the BSP share price.



Source: PNGX, KB Economics

Market announcements

Santos (STO) secured a 10-year gas supply contract with the South Australian Government, providing long-term revenue certainty and supporting further investment at its Cooper Basin operations.

PNG Air (CGA) reported significantly improved FY2025 performance, with revenue rising 28.6% to PGK326.5m and net losses narrowing to PGK9.9m, reflecting stronger charter activity, improved reliability and positive operating cash flow. The airline highlighted its ongoing fleet modernisation programme, including transition to ATR aircraft, successful PGK29.8 million capital raising, and plans to restore capacity, expand charter operations and return to sustainable profitability in 2026 and beyond.

Santos (STO) experienced energy and finance executive Kate Vidgen was appointed as an independent Non-Executive Director, strengthening board capability and governance.

Agmark (NGP) shareholders approved all resolutions at the company's 2026 AGM, including adoption of the 2025 financial statements, the re-election of Directors Stanley Joyce and Warwick Lung, and the election of Anne Iauka as a director. Shareholders also reappointed DFK Mayberry Chartered Accountants as auditors for 2026.

Pacific Lime & Cement (PLC) appointed Darren Holley as joint Chief Commercial Officer and Chief Operating Officer effective 1 June 2026, strengthening the company's executive team as it advances major lime and cement development projects in PNG. Holley brings more than 30 years of experience in listed and multinational companies, with expertise in project execution, capital allocation, operational transformation and corporate governance to support PLC's next phase of growth.

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PNG Government Securities.

Investors preferring shorter-term 3-yr

June's Government Inscribed Stock (GIS) auctions had a total of PGK 200m offered to the market, consistent with the issuance plan for Q2 released in April.

Term (Years)	3	5	7	10	15	Total (PGK'm)
Coupon Rate	6.20%	6.60%	6.70%	6.80%	7.20%	
Weighted Average Rate (W.A.R)	6.16%	6.40%	6.50%	6.72%	0.00%	
Amount Offered	20.00	50.00	40.00	500.00	40.00	**200.00**
Bids Received	49.00	110.50	112.50	55.65	41.60	**369.25**
Successful Bids	58.00	110.00	78.00	95.80	52.00	**239.65**
Over/Under subscription	29.00	60.50	72.50	5.65	1.60	**169.20**
Subscription Rate	145%	121%	181%	11%	4%	85%
Success Rate	100%	66%	56%	100%	0%	65%

Source: Bank of PNG, KB Economics

GoPNG lowering interest expenses

Investor Sentiment

June's auctions saw a total of PGK369.25m bids from investors, the third largest amount in bids received for 2026 to date, meanwhile oversubscription dropped by -36.52% from May's auctions at PGK169.25m.

Yield Movements

Both Coupon & Weighted Average Rates (WAR) saw declines m/m across all tenures. All coupon rates lost 10 bps m/m, while the WAR for the 10-year bond closed unchanged. For the government, this indicates lower interest expenses & improved debt affordability.

Bond Performance

The 3-year bond saw the highest demand, with an oversubscription rate of 145%, while the 15-year bond was the lowest at 4%, indicating investor preference for shorter-year termed bonds.

Both the 3 & 10 year bonds reached 100% success rate, while the 15-year bond saw 0% as none of the bids received were successfully allocated.

1-yr T bill yield holds at 5%

Treasury Bill (T-Bill) auctions for February saw PGK1.491b in successful bids raised, with an oversubscription of PGK1.189b, a huge increase from the month prior.

Term (Days)	182 Days	273 Days	364 Days	Total (PGK)
Weighted Average Yield	**5.37%**	**5.49%**	**5.61%**	
Amount Offered *(PGK'm)*	90.00	260.00	1,000.00	**1,350.00**
Bids Received *(PGK'm)*	299.70	549.21	1,736.45	**2,585.36**
Successful Bids *(PGK'm)*	107.72	262.17	980.45	**1,350.34**
Over/Undersubscription *(PGK'm)*	**209.70**	**289.21**	**736.45**	**1,235.36**
Over/Undersubscription Rate	233%	111%	74%	92%
Success Rate	36%	48%	56%	52%

Source: Bank of PNG, KB Economics

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PNG Government Securities, cont.

1-yr T bill yield holds at 5%

Auction Results

The Government offered PGK 1.35b across the three main debt instruments (182-d, 273-d, and 364-d), while investors submitted bids amounting to PGK 2.58b.

The auctions resulted in a total monthly oversubscription of PGK1.23b, a -10% drop from May (about PGK 138m).

Weighted Average Yields (W.A.Y):

- 182-days T-bill lost 12 bps m/m to end at 4.88%
- 273-days T-bill dropped by 4 bps m/m to close at 4.97%
- 1-year T-bill added 9 bps m/m to close up at 5.00%

Investor Sentiment

Demand continues to persist for the 182 Day T-bill, with its oversubscription rate at 233%, indicating a higher preference for shorter term government securities.

Commodities.

Gold at crossroads as markets await Fed signal

Gold benchmark prices entered Q1 near $4,700/oz and exited near $4,000/oz – the worst quarterly decline since the 2013 "taper tantrum". The US-Iran conflict pushed oil and inflation expectations higher, which led markets to price out Fed rate cuts. Higher-for-longer real yields and a firmer dollar – gold's two classic headwinds – dominated over the geopolitical safe-haven bid.

Gold is down roughly 7% year-to-date and about 30% off its January all-time high of $5,589, despite still being up meaningfully year-on-year. Q3 2026 outlook views are genuinely split and hinge on one variable – the US Fed's monetary stance.

Most institutions expect rangebound, volatile trading (~±5%) near current levels ($3,950–4,100) as the market waits for clarity on rates, rather than a decisive breakout either direction.

Gold suffers worst quarterly drop since 2013



Source: Bloomberg, KB Economics

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Commodities, cont.

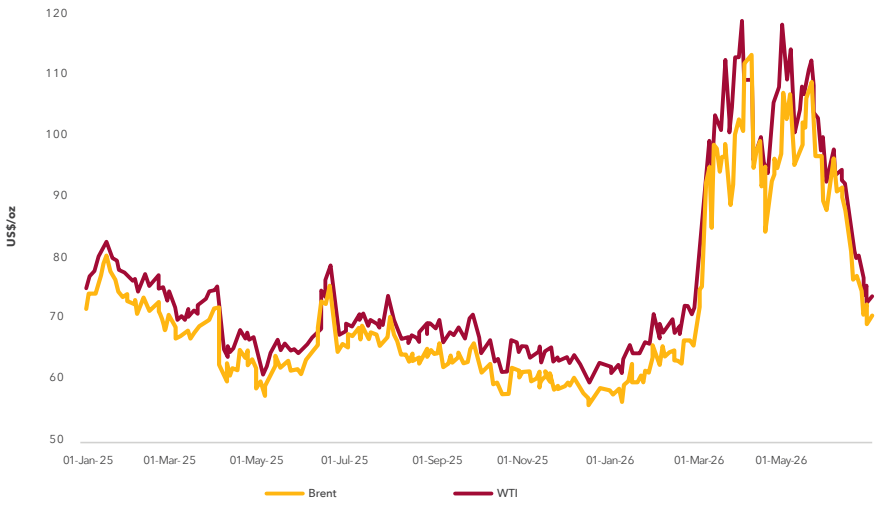
Hormuz re-opening eases oil flows

Brent posted its steepest quarterly decline since 2020, with benchmark closing Q2 near $72 - $74/bbl, down roughly 23% q/q, essentially giving back the entire war-risk premium built up since February.

Q3 should see oil stabilize at lower levels as Hormuz flows normalize. However, given a risk of renewed escalation, a wide forecasts range will persist (between ~$70 - $100/bbl) across markets.

PNG's fiscal revenue assumptions should be built around materially lower current bounds at ~US$70/bbl than the higher Q1/Q2 spikes, with contingency planning for further downside if the Hormuz reopening holds.

Global benchmarks retreat to pre-War prices



Source: Bloomberg, KB Economics

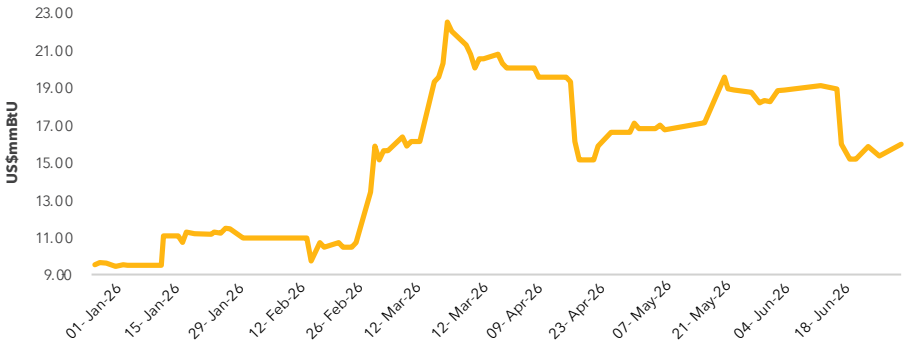
Asian LNG prices cool off in Q2

Asian LNG prices (JKM) continued to cool off towards the end of Q2 as talks of the Hormuz Strait tensions de-escalating calmed market sentiment on supply.

Ample global supply (due to US LNG cargoes) kept pushing up supply against soft demand. However, July-August is peak summer demand in major Asian markets (Japan, China, Korea & Taiwan), which will drive markets back up again.

JKM prices in Q3 will likely hover in a choppy, range-bound mid-to-high ~$15/mmBtu (2026 ytd average). For PNG's export revenues, this points to a stabilising but still-softer revenue tailwind from LNG/oil exports relative to the Q1 spike.

Asian LNG price changes (JKM*) YTD



Source: Bloomberg, KB Economics

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Commodities, cont.

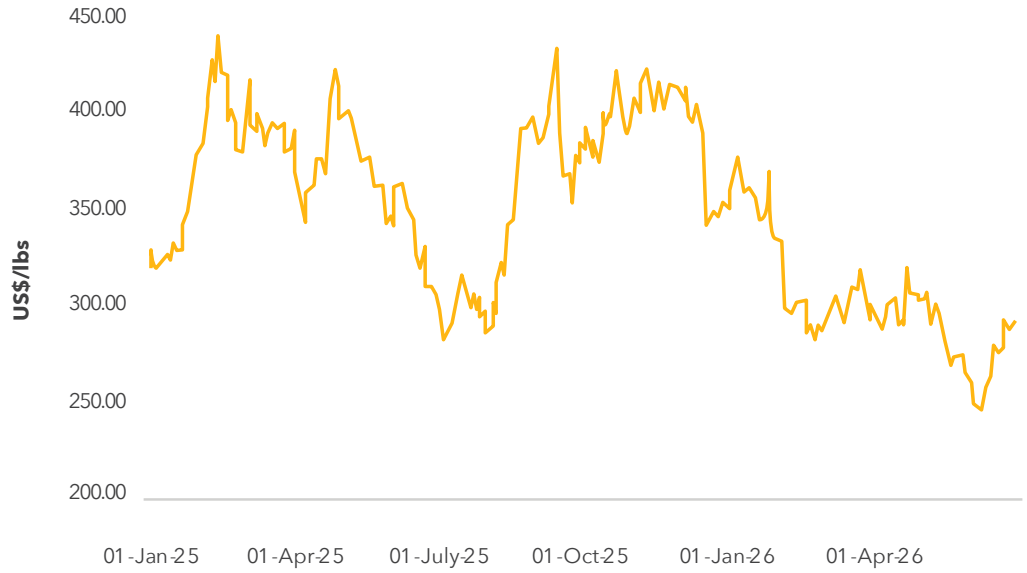
Coffee: El Niño expectations affecting supply outlook

Coffee prices dropped through April and May 2026 because Brazil – the world's biggest coffee grower – is expecting a huge harvest this year, and more supply usually means lower prices. But in June, prices bounced back a bit because Brazil's harvest was running late, and worries grew about El Niño possibly hurting future crops.

Looking ahead to July–September: prices will likely stay choppy rather than moving clearly up or down. Brazil's big crop keeps a lid on prices, but El Niño could cause droughts in Vietnam (hurting the cheaper "robusta" coffee) and eventually affect Brazil too – so prices probably won't fall much further.

Higher global coffee prices are generally good news for PNG farmers and exporters – better income, and a small boost for the Kina. But El Niño could also bring dry weather to PNG's own highlands, shrinking how much coffee farmers actually have to sell – so the benefit could get cancelled out.

Coffee prices to remain choppy



Source: Bloomberg, ICO, KB Economics

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Commodities, cont.

Cocoa: Weather risks to maintain high prices

Cocoa prices were at their lowest during March/April because major suppliers Ivory Coast and Ghana are expecting a bigger harvest than usual. But then prices swung back up sharply in May and June – jumping over $5,000 a tonne at one point – because heavy rains started flooding farms and spreading disease in those same countries, and traders got worried that El Niño could bring dry, damaging winds to the region later this year.

So overall, cocoa had a rollercoaster Q2: down, then sharply up, ending around $4,900-5,000 a tonne – still much cheaper than the record highs of 2024/25, but jumpy.

Looking ahead to July–September: Expect more of the same up-and-down movement. The big harvest still points to lower prices over time, but if El Niño gets stronger and dries out West Africa's crop, prices could spike again.

Q2 rebound, but still lower than 2025 highs



Source: Bloomberg, ICO, KB Economics

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