Monthly Market Sivarai Report.

August 2026

kinabank Together it's possible

August Outlook.

2026 growth projections softened

PNG's 2026 growth projections have been revised down, with ADB (~3.6%) and BPNG (~3.0%) expecting a cooler year. El Niño impacts on copper and gold exports will provide some headwind in Q4.

The Papua LNG Development Forum began in July with landowners, provincial governments and JV partners. FID timeline has firmed to Q4 2026. Cost estimates are reported to have firmed up at ~US$14b (down from US$18b). The State continues to press partners for a unified position.

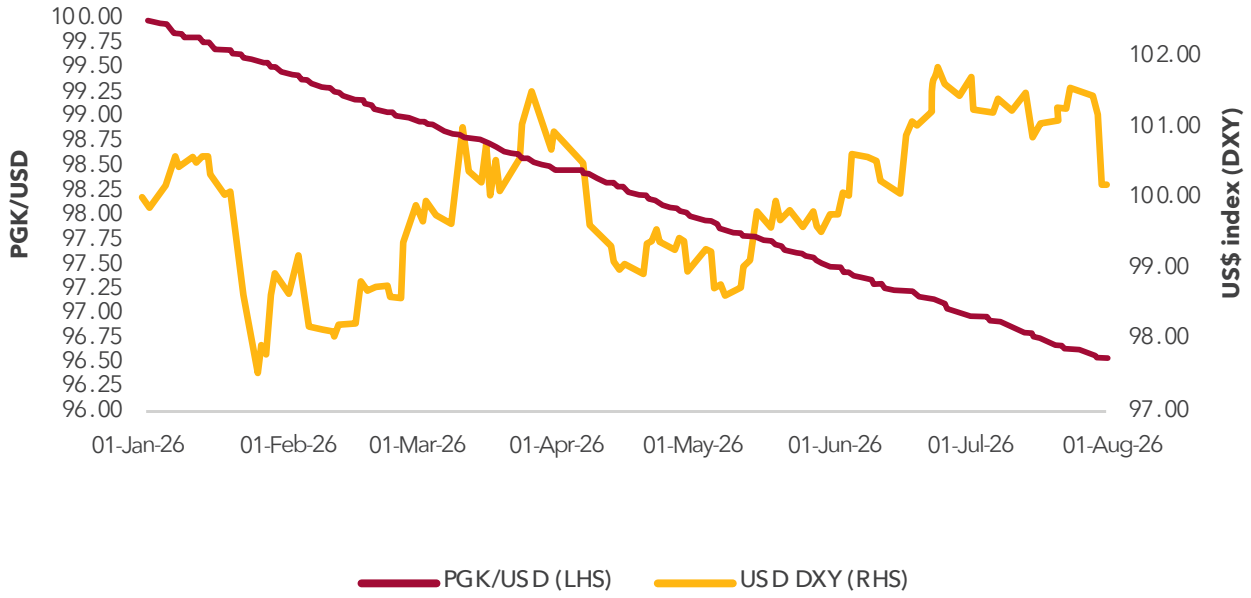
Inflation starting to creep up

Inflation drifting up: BPNG's 2026 headline forecast revised to ~4.0% on seasonal and imported-cost pressures, especially with the prolonged Middle East oil-price risk.

Inflation price risks are emerging despite the Government announcing that it will continue subsidising domestic fuel prices to remain at pre-war levels (March 2026).

Next MPC decision approaching in early September. This next MPC Statement should provide some guidance on system liquidity levels and price pressures.

FX Market.



Source: Bank of PNG, KB Economics

US Dollar weakness continues

The PGK remained on its familiar, tightly-managed depreciation path in July 2026, with PGK/USD easing 0.44% over the month to close at 0.2269 (from 0.2279 at 1 July).

Critically, the kina softened against the USD even as the US dollar itself fell sharply. The Bloomberg US Dollar Index (BBDXY) dropped 1.46% in July, its weakest month of the year, yet PGK still lost ground to the greenback.

The immediate consequence was felt on the cross rates – with a weaker USD lifting the Australian dollar, PGK/AUD fell 1.21% in the month.

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FX Market, cont.

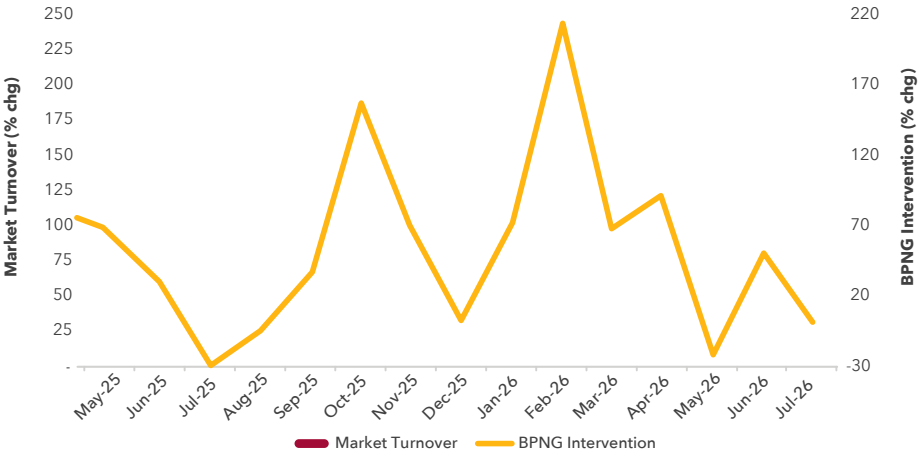
BPNG intervention eases, market clearing

FX market turnover reached PGK8.18 billion in July, essentially flat on June's PGK8.23bn but well above the 2025 monthly run-rate.

Year-to-date turnover of PGK49.2bn (Jan–Jul) is up ~30% on the same period of 2025 (PGK37.9bn) and ~66% on 2024 (PGK29.7bn) – evidence that the market-clearing reforms and improved FX availability are widening the pipe, even as the price continues to be administered.

BPNG intervention was light in July at US$20m, consistent with BPNG allowing market turnover to do more of the import order clearing.

Market turnover YTD up 30% y/y



Source: Bank of PNG, KB Economics

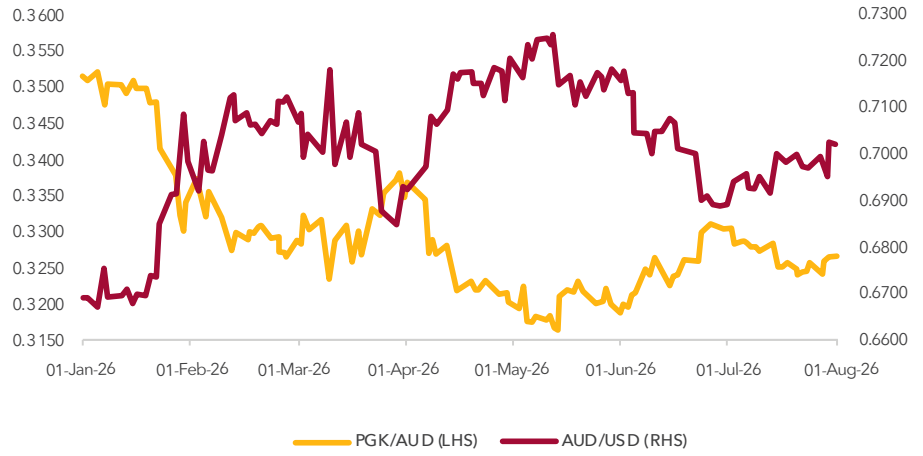
PGK/AUD creeping up above 0.3200 on US weakness

Looking to Q3, the balance of global risks points to a softer USD and a firmer AUD, driven by a cooling US labour market and rising expectations of a Federal Reserve cut at the 16 September FOMC.

For PNG this is a double-edged setup: a weaker USD does little to slow the managed PGK/USD crawl, but a stronger AUD would keep imported inflation from Australia – our largest source market – elevated, at the same time as it modestly improves PGK-denominated returns for AUD-referenced exporters and the kina cost of AUD liabilities.

	PGK/USD	AUD/USD	PGK/AUD
Apr 26	0.2304	0.7116	0.3238
Jun 26	0.2266	0.7050	0.3214
Sep 26	0.2233	0.7200	0.3101
Dec 26	0.2201	0.7200	0.3057

Anticipated US rate cuts pushing up AUD/USD

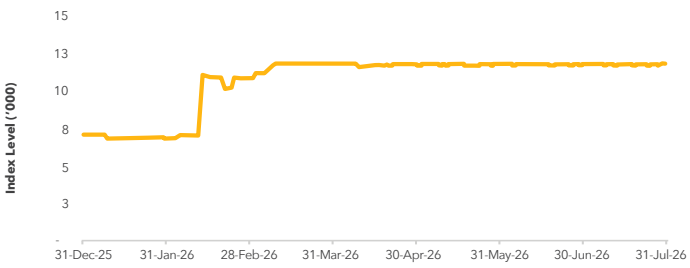


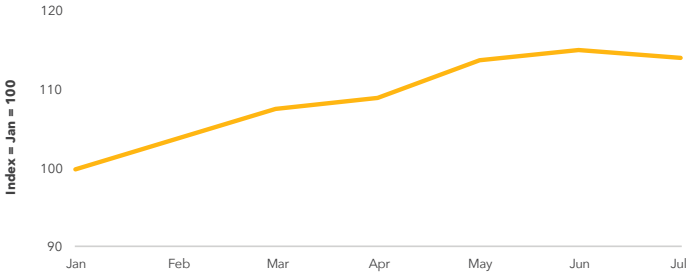
Source: Bloomberg, Bank of PNG, KB Economics

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PNG Equities.





Source: PNGX, KB Economics

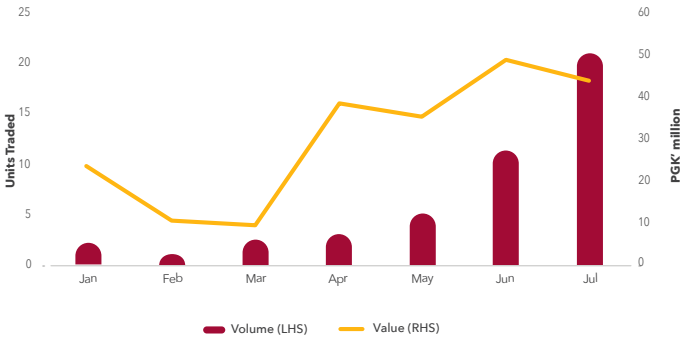
KSi advanced for third straight month

The Kina Securities Index (KSi), a market capitalization measure of PNGX performance, inched up 0.1% in July, marking its third consecutive monthly gain. However, the rise in the index was not broad-based, with only four of the ten listed stocks advancing, one declining, and five remaining unchanged. The gain in the KSi was primarily driven by heavyweight stocks Santos and BSP.

Composite Total Return Index

The Composite Total Return Index (TRI) reflects the movement in the share prices of four stocks, namely BSP, KSL, CCP, and Santos. As these companies have not yet paid interim dividends for FY2026, the index currently reflects share price movements only.

PNGX Market Volume & Value



Source: PNGX, KB Economics

PNGX: Strong market activity with PLC trades

In July, a total of PGK43.9 million was traded on the local exchange, representing a 9.0% decline from the previous month. However, this was nearly 47.0% higher than the seven-month average and a 305% increase year-on-year.

A total of 20.9 million shares were traded during the month, compared to 11.3 million shares in the previous month. This was the second-highest monthly trading volume recorded this year, with July standing out as the highest by a significant margin, driven by strong demand for shares of Pacific Lime & Cement Limited (PLC).

PLC accounted for 92.2% of the total volume traded on the exchange, followed by KSL (3.5%) and BSP (2.8%). This is the third straight month that PLC has dominated the market by volume.

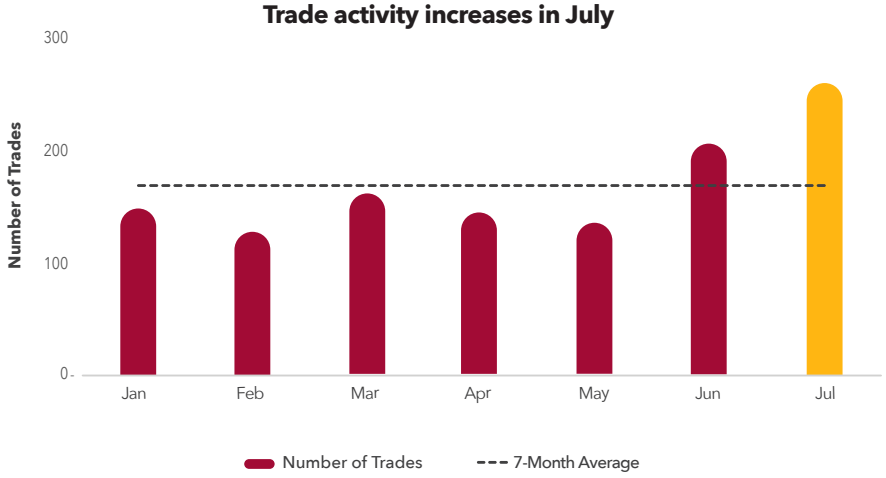
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PNG Equities, cont.

A total of 259 trades were executed in July. This was 25.7% higher than in June and 85% higher than the corresponding period in 2025. Of the total trades executed, PLC accounted for 33.6%, followed by KSL (23.9%) and BSP (23.2%).

Trade activity increases in July



Source: PNGX, KB Economics

Market Announcements

KSL provided FY26 earnings guidance: forecasting NPAT in the range of PGK132m - PGK138m (+15% - +20% increase vs FY25 audited NPAT of PGK114.6m). The improved outlook is supported by continued revenue growth across targeted segments. This is expected to be partially offset by lower margins resulting from declining Government Security yields, increased FX market competition, and continued PGK depreciation (AUD & USD).

The PNG Government, through Kumul Mineral Holdings (KMHL), acquired a 13% equity stake in Pacific Lime and Cement's (PLC) Central Lime Project for US$16.3 million, marking the State's first capital commitment under the Project Development Agreement signed in March 2026. The investment supports the development of PNG's domestic lime and cement industry. PNG's annual lime demand of 250,000-300,000 tonnes is estimated to represent around 70-75% of PLC's planned Phase 1 quicklime production capacity, positioning the project to substitute imports.

Market Announcements | NEM

Newmont Corporation (NEM) reported strong Q2 2026 results, producing 1.3 million attributable gold ounces and generating a record US$2.2 billion in free cash flow, while remaining on track to achieve its full-year production guidance.

NEM reported net income of US$2.2 billion, returned US$1.9 billion to shareholders through dividends and share buybacks, and ended the quarter with a strong net cash position of US$3.4 billion.

Market Announcements | STO

Santos Limited (STO) reported a stronger Q2 2026 performance, with production rising 3% quarter-on-quarter (q/q) to 23.1 mmboe and sales revenue increasing 6% q/q to US$1.35 billion, supported by higher LNG prices and the ramp-up of the Barossa and Pikka projects.

Santos expects stronger production and cash flow in the second half of 2026 as Barossa reaches full production, Pikka moves toward peak output, and PNG LNG operations continue to perform strongly.

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PNG Government Securities.

Auction Results Summary

Auction Results: The Government raised PGK305m from a planned issuance of PGK300m in GIS. Overall auction was oversubscribed by PGK25m.

GoPNG did not raise the yields it was willing to pay to attract more demand. Allotments were held close to the amounts offered, and clearing yields on the longer lines remained anchored – the 10-year at 6.73% and the 15-year at 7.13%.

GoPNG's debt issuance plan is to issue PGK780m during Q3 and a further PGK788.80m in Q4, with 10-year rates projected to be in the guidance range of 5.00% - 5.25%.

July 2026 GIS auction results

Term (Years)	3	5	7	10	15	Total (PGK'm)
Coupon Rate	6.40%	6.80%	6.90%	7.10%	7.40%	
Weighted Average Rate (W.A.R)	6.12	6.43	6.59	6.73	7.13	
Amount Offered	50.00	50.00	50.00	100.00	50.00	**300.00**
Bids Received	65.00	50.00	60.00	100.00	50.00	**325.00**
Successful Bids	55.00	50.00	50.00	100.00	50.00	**305.00**
Over/Under subscription	15.00	-	10.00	-	-	**25.00**
Subscription Rate	30%	0%	20%	0%	0%	8%
Success Rate	85%	100%	83%	100%	100%	94%

Source: Bank of PNG, KB Economics

Fiscal discipline meets thin investor demand

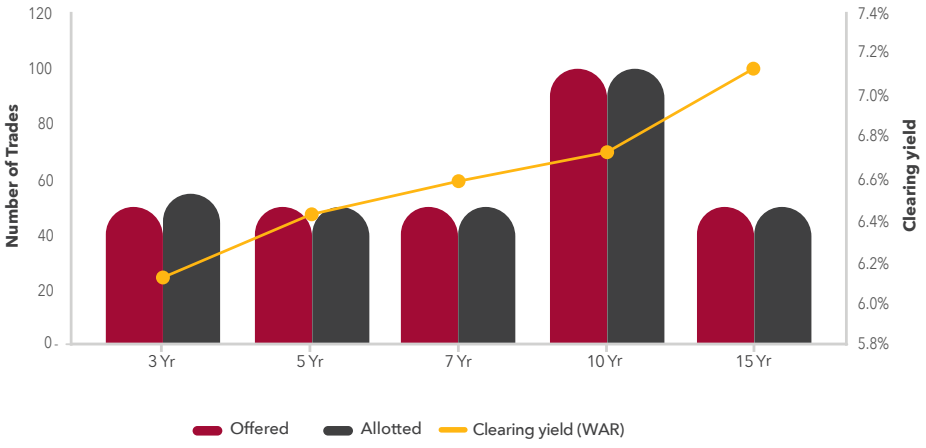
The July bond auction reveals coverage was thin right across the curve – the 5-, 10- and 15-year lines each cleared at only 1.00x.

Across the year, the Treasury has consistently rationed long-end issuance rather than pay up for it, allotting the 15-year below the amount offered even when bids were available.

For investors, this signals a disciplined issuer that prioritises orderly cost management over volume – supportive of price stability.

For the State (GoPNG), it reflects the core objective of the debt strategy to lengthen the maturity profile and reduce refinancing risk, but not at any price. The tension to watch is that this discipline is easy to maintain when demand is deep and becomes materially harder when coverage sits at 1.00x.

Thin cover across the curve



Source: Bank of PNG, KB Economics

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PNG Government Securities, cont.

T-bills Auction summary

The Government raised PGK968.3m from a planned issuance of PGK1.1b from T-Bills during July.

Overall auctions were oversubscribed by PGK130.46m, or 12.1% of total offering.

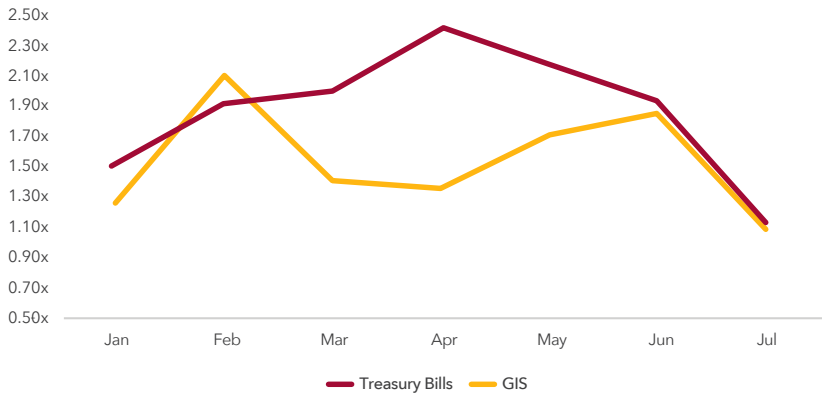
Yield Performance: Treasury bill yields firmed up from 4.85% (182-d) to 5.03% (364-d).

GoPNG's 2026 Quarterly Issuance plan signals for the projected 364-d rate to be within the range of 4% - 4.25%, with new issuance in Q3 planned to be PGK2.66 billion.

Term (Days)	182 Days	273 Days	364 Days	Total (PGK)
Weighted Average Yield	**4.85%**	**5.04%**	**5.03%**	
Amount Offered *(PGK'm)*	80.00	200.00	800.00	**1,080.00**
Bids Received *(PGK'm)*	89.64	272.50	848.32	**1,210.46**
Successful Bids *(PGK'm)*	58.20	176.50	733.55	**968.25**
Over/Undersubscription *(PGK'm)*	**9.64**	**72.50**	**48.32**	**130.46**
Over/Undersubscription Rate	12.1%	36.3%	6%	12.1%
Success Rate	64.9%	64.8%	86.5%	80.0%

Source: Bank of PNG, KB Economics

Bid-to-cover ratio declines in July



Source: Bloomberg, KB Economics

Investor demand cools off

From January to April, T-Bill coverage strengthened m/m, peaking at 2.41x in April, as commercial banks and institutional investors competed for allocation.

From May onward, coverage began to normalise, and in July it fell abruptly: T-bill coverage more than halved from its April peak, and GIS demand dropped from 1.85x to 1.08x in a single month.

With demand softer and supply heavier, the balance of risk on domestic yields has shifted from downward to modestly upward. We do not anticipate a sharp repricing, but the first-half easing in funding costs has, in our view, run its course for now.

For the short end, we expect the 364-day bill to hold broadly around 5.0% through the quarter, with limited scope for further decline unless demand recovers strongly. For the long end, the 10-year is likely to remain anchored near current levels while the State maintains allotment discipline, with the risk skewed toward a gradual firming if coverage stays thin.

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Commodities | Summary.

Bottom Line

July 2026 was defined by more energy shocks emanating from the Middle East, with Hormuz Straits supply disruption pushing Brent up ~24% on the month to about US$90/bbl, and Asian LNG (JKM) up ~34% to US$21.45/mmBtu – the single most important development for the PNG macro narrative, given LNG and condensate dominate the export base. For PNG, this cuts both ways: stronger energy receipts and kina support, set against imported fuel-price inflation and a fragile global growth backdrop.

Metals stayed firm. Copper (+48% YoY) continues its structural, AI- and electrification-driven bull run; gold – though ~5% down YTD after its January record – is still +23% YoY and structurally supported by central-bank demand. Agriculture is mixed: coffee firmed (+6.7% MoM), while cocoa remains in a heavy correction (-37% YoY) as West African supply recovers.

Global Price Snapshots

Commodity	Price (USD)	MoM	YoY	YTD
Coffee (US cents/lb)	332.1	↑ 6.70%	↑ 12.30%	↓ -4.80%
Cocoa (US$/mt)	5,397	↑ 7.90%	↓ -36.60%	↑ 13.80%
Palm Oil (RM/tn)	4,531	↑ 1.30%	↑ 8.50%	↑ 13.30%
LNG JKM (US$/mmBtu)	21.45	↑ 33.60%	↑ 78.20%	↑ 123.30%
Gold (US$/oz)	4,107	↑ 1.70%	↑ 22.60%	↓ -5.40%
Copper (US$/lb)	6.47	↑ 3.40%	↑ 48.50%	↑ 13.80%
Brent (US$/lb)	90.12	↑ 23.60%	↑ 24.30%	↑ 48.10%

What to expect over q/q horizon

Energy is the swing factor. If the Hormuz disruption eases and OPEC+ barrels return, consensus (EIA, J.P. Morgan, Goldman) sees Brent reverting toward US$60–75/bbl; sustained escalation risks US$100+. Plan for two-way volatility, not a stable price.

LNG tracks oil and Asian winter demand. The JKM spike carries a large risk premium, and some mean-reversion is likely into Q4 – but a cold northern winter or prolonged Hormuz stress keeps prices elevated, which supports PNG LNG-linked revenue.

Copper and gold have firm floors. Copper is underpinned by a structural concentrate deficit and AI/grid demand; gold by central-bank buying and reserve diversification. Expect high prices with sharp corrections rather than a trend reversal.

Cocoa stays structurally lower but volatile; surplus caps prices while El Niño weather risk can spark fast rallies. Coffee and palm oil are similar – firm, with weather-driven upside spikes.

Key risks to watch

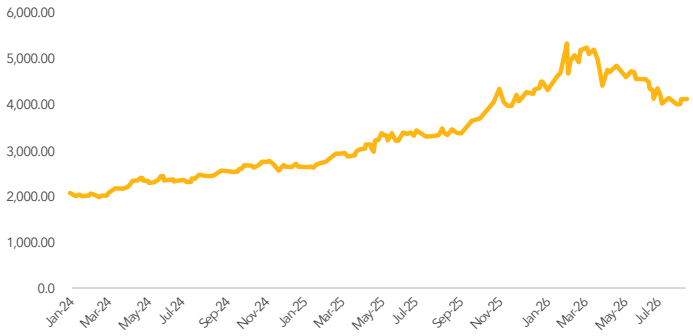
- Geopolitical / Hormuz – the dominant near-term risk. Re-escalation lifts oil, LNG, freight and insurance together: positive for PNG export values, negative for imported-fuel inflation.
- Global growth & rates – an oil-driven inflation re-acceleration could delay rate cuts or force hikes, pressuring cyclical metals demand.
- FX & fiscal transmission – commodity windfalls flow unevenly into kina liquidity and government revenue; timing and hedging matter more than the headline price.
- Weather (El Niño) – elevated probability into late 2026: upside price risk for cocoa/coffee/palm, downside output risk for PNG growers.

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Commodities | Charts.

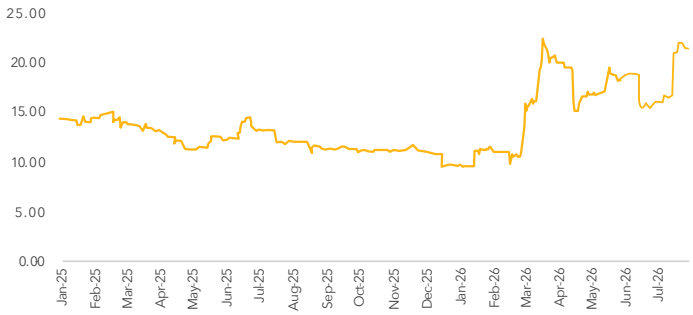
Gold (US$/oz)



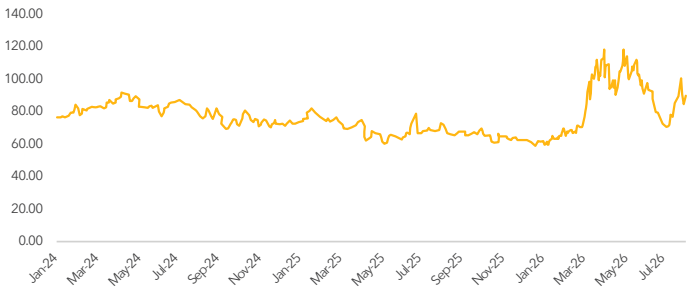
Copper (US$/lb)



LNG – Asia JKM (US$/mmBtu)



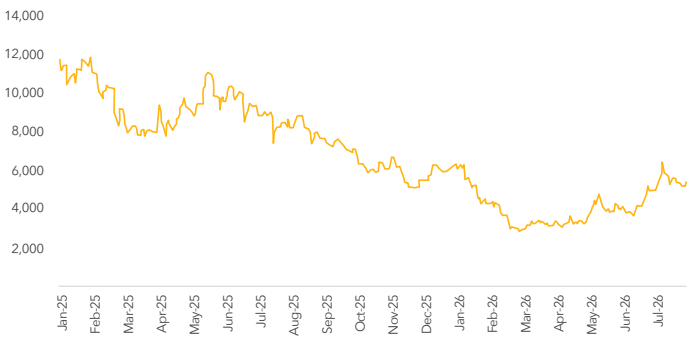
Brent Crude (US$/bbl)



Coffee – ICO (US cents/lb)



Cocoa – ICCO (US$/mt)



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