



WEATHERMEN
CAPITAL ADVISORS LIMITED

Investment Report – April 2024

Corporate Finance | Funds Management | Investment Advice | Trustee Services | Stockbroking

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1.0 Executive Summary



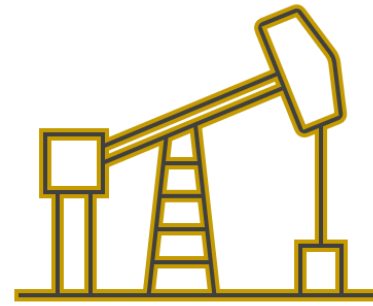
Global Economy remain subdued

The global economy continued to display remarkable resilience in April with growth holding steady and inflation declining, but many challenges still lay ahead.



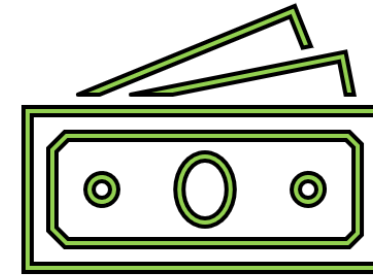
Domestic update: Resource sector continue to drive growth

While challenges persist, PNG's economy is poised for growth, especially in the mineral sector....The country's economic future growth predictions in April indicates a turning point to addressing human capital needs and emphasizing business investment.



Commodity Forecasts remain stable

Commodity market outlook in April 2024 remained highly uncertain, as consumers and businesses continued to cope with lingering cost pressures, high interest rates and mounting geopolitical tensions that disrupted the commodity supply chains.



Currency set to regain strength

In April 2024, exchange rates were most impacted by interest rates, inflation, and foreign investment. Investors are therefore encouraged to monitor currency performances as it is crucial for investment growth.



Growth for Equities

Global equities declined by 3.3% in USD terms during April. This came after a five-month winning streak in stock markets, which finally came to an end. The decline was likely influenced by a reappraisal of looming interest rate cuts and not just geopolitical tensions.

Money Market

April 2024 saw a reversal in stock market sentiment, rising bond yields, and varying economic indicators across regions. Investors are encouraged to keep in mind that market conditions can change rapidly therefore it is essential to stay informed and monitor developments closely.



Money Market Expectations

International bonds:

International bonds and credit markets performed relatively well. The US led the sell-off in International bonds in April, with the 10-year Treasury yield hitting the highest level (4.70%) since late 2023 as the market embraced a higher for longer narrative regarding interest rates.

PNG treasury Bonds:

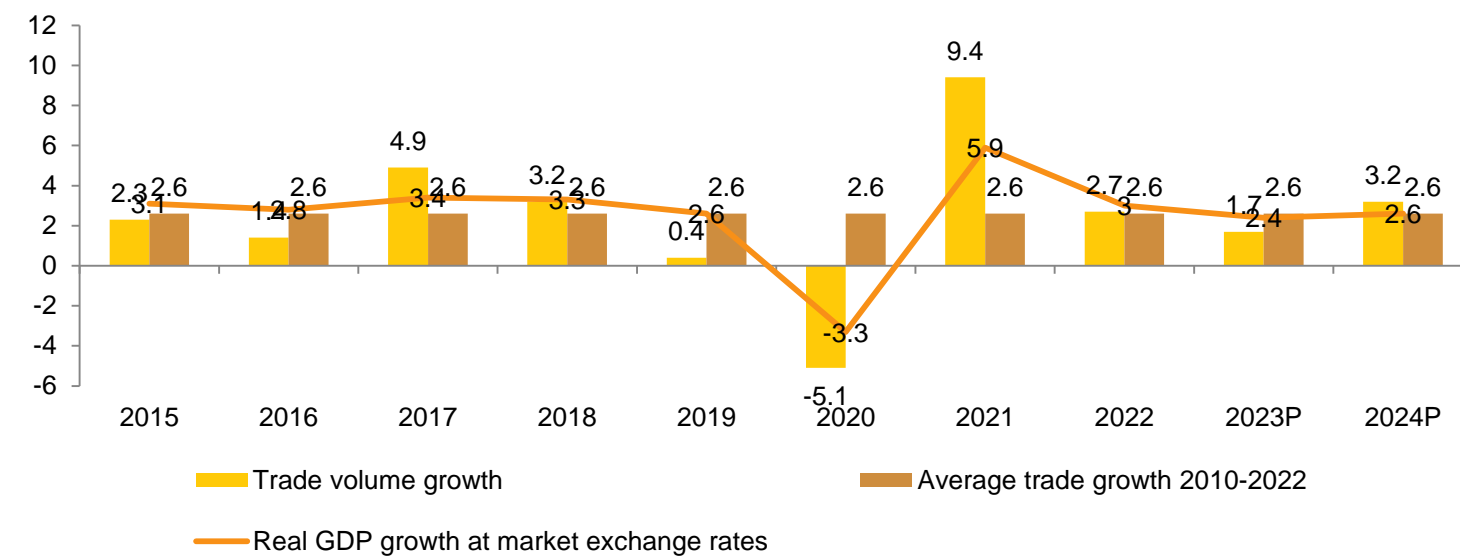
According to the BPNG, some appetite showing on the 182 days bill after K6.32m of bids reported from an offer of K10.00m; Of the bids received, only K4.32m was successful at W.A.R of 1.97% (up 12 basis points) after pro rata allocation, bringing the successful bid rate to 43%.

2.0 Global economic update



The global economy continued to display remarkable resilience in April with growth holding steady and inflation declining, but many challenges still lay ahead.

GLOBAL ECONOMIC GROWTH



GLOBAL GROWTH

According to the IMF, efforts have being made to maintain stability and promote growth although the economy had faced challenges in April 2024. GDP growth projections in April remained steady for all advanced and emerging market economies.

INFLATION

Overall global inflation had decreased to 5.9% April in 2024 as it has decreased from the inflation rate of 6.8% projected last year in April. Analyst forecast global inflation to increase to 4.5% in 2025.

Advanced economies are expected to return to their inflation targets sooner than emerging market and developing economies.

While inflation remained elevated in the advanced economies specifically the Euro and US regions, the Euro area exhibits weaker momentum, and core inflation is influenced by services inflation. Accordingly, despite the signs of gradual easing, labor markets continue to support upside risks to core inflation.

Central banks are expected to take a cautious approach to cutting policy rates as expectations are for inflation to edge lower in 2024, however central banks remain vigilant in their policy decisions.

GLOBAL TRADE

Economists had predicted that global trade in April had rebounded with a projected 2.6% growth in the volume of merchandise trade. The outlook for the rest of the year and 2025 is even more robust at 3.3% growth.

3.0 Domestic economic update



While challenges persist, PNG's economy is poised for growth, especially in the mineral sector....The country's economic future growth predictions in April indicates a turning point to addressing human capital needs and emphasizing business investment.

ECONOMIC PERFORMANCE

Economic growth accelerated to 4.8% in April, 2024. Growth could have increased even faster, but brief violence and looting in January 2024 placed a toll on the economy. Medium-term growth is expected to settle at 3%.

The economic growth is expected to rebound further 2024, according to BPNG April's Monthly Report. This positive outlook is primarily driven by the improved performance in the mineral sector of PNG.

CHALLENGING BUSINESS ENVIRONMENT

The business revenues and employment levels in the non-mineral private sector in April had faced a decline in business confidence due to the lingering effects of January's civil unrest. Furthermore, ongoing challenges such as foreign currency shortages, transportation costs, law enforcement issues, and unreliable power sources remain major concerns for businesses, prompting cost-cutting measures and exploration of cheaper alternatives.

MONETARY AND FINANCIAL DEVELOPMENTS

Certainly in April 2024, the Bank maintained the Kina Facility Rate (KFR) for April 2024 at 2.00%. However, given the concerns for domestic inflationary pressures emanating from the depreciation of the kina exchange rate, the Bank is looking forward to tightening the monetary stance in due course.

INFLATION

PNG's inflation rate increased to 9.97% in April due to continued depreciation of the Kina against the US Dollar, with the CPI projected to reach 5%. It is expected to remain elevated throughout 2024 and 2025 before easing in 2026. Supply side disruptions and geopolitical conflicts continue to pose risks to the medium-term inflation outlook.

4.0 Commodities



Commodity market outlook in April 2024 remained highly uncertain, as consumers and businesses continued to cope with lingering cost pressures, high interest rates and mounting geopolitical tensions that disrupted the commodity supply chains.

	RATES [29 Mar,24]	RATES [30 April,24]	Change [MoM]		Growth Change %	TRADE FORECAST (Q2-24)	STATUS UPDATES
Crude Oil USD/ Bbl.	85.45	82.46		-0.03	-3%	85.22	Crude Oil futures dropped in April to \$82.46/bbl threshold from \$85.45/bbl in March 2024, however it had reached the highest level since October 2023. Geopolitical tensions in the Middle East and attacks on Russian refineries contributed to crude's price strength.
Liquefied Natural Gas USD/MMBtu	1.82	2.06		0.13	13%	1.81	The global LNG benchmark price stood at \$2.06 per million metric British thermal units (MMBtu) in April 2024, following significant price increases in 2022 due to supply issues related to the Russia-Ukraine war.
Gold USD/OZ	2232.04	2291.30		0.03	3%	2573.85	In April, Gold prices went up to as much as \$2291.30 an ounce, hitting new record levels, as geopolitical tensions and a rise in demand from funds and central banks offsetting the strong dollar and the US interest rates remaining higher for longer within the month. Looking ahead, Gold is expected to trade at 2573.85 USD/t oz. by the end of Q2-24, according to Trading Economics global macro models and analysts expectations.
Copper USD/LBS	3.84	3.90		0.02	2%	3.99	In April 2024, Copper prices surged significantly and reached a record high of \$8322.4, according to trading economics. Accordingly, the China's announcement to purchase unsold housing inventory and its stimulus through long-dated bond issuance during April, magnified bullish bets for copper consumption.
Coffee USD/LBS	188.85	217.76		0.15	15%	194.16	Influenced by global prices, especially in the Robusta Coffee market, Coffee's local prices had experienced significant appreciation in April resulting in an increase of 0.15%, which was much higher compared to previous pricing that stood at \$188.85/USD/LBS.
Cocoa USD/MT	9226.00	9820.70		0.06	6%	10036.52	In April 2024, Cocoa prices experienced a significant surge and doubled its price in less than three months, reaching an all-time high of \$9820.70 per metric ton in April 2024. This surge intensified the landmark rally, impacting costs for consumers and prompting chocolate makers to seek supply.
Rubber USD Cents/Kg	166.00	164.70		-0.01	-1%	166.45	In April, the average daily prices for rubber across key markets showed a declining growth. Analysts expect the monthly production for year-on-year to improve by 1.6% as seasonal leaf fall had come to an end in April.
Palm Oil MYR/T	4266.00	3814.00		-0.11	-11%	4419.09	Palm Oil (CPO) volume totaled 3814/MYRT in April 2024. End-of-month open interest was 47,970 lots (1,199,250 metric tons). The first three contract months accounted for 55% of the total monthly volume and 43% of the total open interest. Despite increased palm oil exports and consumption, limited production growth indicated that demand outpaced supply growth in April 2024.

5.0 Currency updates



In April 2024, exchange rates were most impacted by interest rates, inflation, and foreign investment. Investors are therefore encouraged to monitor currency performances as it is crucial for investment growth.



USD/PGK

The US dollar Index was up 1.75% in April. Neel Kashkari, President of the Minneapolis Fed, stated that he anticipates the Fed will maintain its current stance for a prolonged period until there is evidence of disinflation, while also leaving open the possibility of a rate hike if inflation accelerated.

Despite this, markets are still expecting interest rate cuts the coming months due to recent weaker-than-anticipated US employment data and dovish signals from other Fed officials.



AUD/USD

The Australian Dollar experienced some fluctuations against the US Dollar during April 2024 whilst the USD strengthened slightly against the AUD. Below are the rates for AUD to USD history for April 2024:

- **Exchange Rate on 1 April, 2024:**
1 AUD = 0.6491 USD
- **Exchange Rate on 4 April, 2024:**
1 AUD = 0.6585 USD
- **Exchange Rate on 30 April, 2024:**
1 AUD = 0.6807 USD

The general outlook for this year remains optimistic with three major Australian banks expecting the value of the Australian Dollar to increase by 0.78 at the end of 2024.



NZD/USD

As the April 2024 trading period ended, the New Zealand Dollar (NZD) found itself whipped into a maelstrom of volatility in the world currency markets.

The currency experienced a series of fluctuations, painting a picture of an intensely dynamic exchange climate. The month kicked off with the NZD trading at 0.82009 against the US Dollar, at the start of the Asian trade session on April 12th however, throughout the mid-April trading periods, the NZD experienced an indecisive phase, dipping to a one week low of 0.81089 on the April 22nd, before moving up to 0.81494 on the April 25th.



PGK/USD

In April 2024, the USDPGK spot exchange rate increased slightly by 0.01% from 3.8805 in March, 2024.

Over the last 12 months, the PGK fell by 8.88% against the US dollar. Accordingly the highest historical exchange rate for PGK to USD in 2024 was 0.2704 USD on January 25, 2024. Whilst the average exchange rate for the year was 0.2638 USD.

Looking ahead, analysts expect the PGK to be priced at 0.25559 USD by the end of the Q2-2024 and 0.25037 USD within one year.

6.0 Equities



In April, both equity and fixed-income markets faced challenges amid concerns over the “higher for longer” narrative, amidst strong private demand and inflationary pressures.

GLOBAL EQUITIES

Global equities declined by 3.3% in USD terms during April. This came after a five-month winning streak in stock markets, which finally came to an end. The decline was likely influenced by a reappraisal of looming interest rate cuts and not just geopolitical tensions.

GOVERNMENT BONDS

Government bonds fell by 1.5% (USD, hedged terms) in April. Despite this decline, volatility was short-lived, and stocks retraced some of their losses later in the month. Bond yields rose to fresh year-to-date highs in the US, Germany, and the UK.

US DOW JONES

The Dow Jones Industrial Average had its worst month since September 2022, sliding 1.5% and experiencing a 5% decline in April. Treasury yields also rose during the month of April.

ASX 200

The ASX 200 experienced fluctuations during April 2024. on the April 2nd, it traded lower, retreating from a fresh record high of 7910.5 after the Easter mini-break, however on April 9th, it lost 40 points (0.52%) at 78293 and rose even by 11 points (0.23%) higher at 7649, which was driven by gains on Wall Street and a weaker-than-expected retail sales report for April.

KEY PNGX PERFORMANCE

Santos Limited (STO):

- Strong first quarter free cash flow generation.
- Sales revenue of US\$1.4 billion.
- PNG LNG completed its review on customer price, maintaining weighted average LNG prices for oil index contracts above 14% slope.
- Development projects, including Barossa Gas Project and Darwin LNG life extension, progressed well during the month of April

Kina Asset Management Limited (KAML)

Net Tangible Assets (NTA) as of April 30, was K1.74.

PNGX Close	24-Mar	30-Apr	Chg. (K)	Chg. (%)
BSP	16.12	16.30	0.18	0%
CCP	2.11	2.15	0.04	0%
CGA	-	-	-	-
COY	0.02	0.02	0.00	0%
CPL	0.79	0.79	0.00	0%
KAM	1.15	1.20	0.05	0%
KSL	2.95	2.95	0.00	0%
NEM	145.00	145.00	0.00	0%
NGP	0.69	0.69	0.00	0%
NIU	-	-	-	-
SST	45.00	45.00	0.00	0%
STO	19.36	19.36	0.00	0%

7.0 Money markets



April 2024 saw a reversal in stock market sentiment, rising bond yields, and varying economic indicators across regions. Investors are encouraged to keep in mind that market conditions can change rapidly therefore it is essential to stay informed and monitor developments closely.

TREASURY BILLS [T-BILLS]

According to the BPNG, some appetite showing on the 182 days bill after K6.32m of bids reported from an offer of K10.00m; Of the bids received, only K4.32m was successful at W.A.R of 1.97% (up 12 basis points) after pro rata allocation, bringing the successful bid rate to 43%.

The 273 T-BILL

Days tenor had nil issuance for the week.

364 DAYS T-BILL

The 364 days' Weighted Average Rate (W.A.R) received an upswing of 10 basis points in Aprils auction, surging it to 13 week high on 3.70%.

OVERALL SUBSCRIPTION

Overall auction came in under-subscribed by K145.25m from K253.12m offered, about 97% of the under-subscription came from the 364 days tenor. The W.A.Rs are however expected to remain relatively high in all three T-Bill tenures on the basis that the gov't could use excess borrowing to make up for any shortfall in tax revenues in 2024 budget in light of January 10 unrest.

Auction results 26 April 2024

Terms	182 days	273 days	364 days	Total
W.A.Y 28/03/24	1.97%	2.45%	3.70%	
Amount on offer [K'm]	10	0.00	243.12	253.12
Bids received [K'm]	6.32	0.00	101.55	107.87
Successful Bids [K'm]	4.32	0.00	74.55	78.87
Successful Bid Rate	43	-	31%	31%



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