



**WEATHERMEN**  
CAPITAL ADVISORS LIMITED

# Investment Report - February 2024

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

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# 1.0 Executive Summary



## Global Economy remain subdued

Global economic growth is expected to continue, albeit at a moderate pace. Various regions may experience divergent growth trajectories due to differences in vaccination rates, fiscal stimulus measures, and structural factors. Real GDP growth projections remain the same as projected in the World Bank's January report.

While there are reasons for optimism about the global economy's resilience and recovery, there are also numerous challenges and uncertainties that policymakers, businesses, and individuals must navigate. Monitoring key indicators and staying informed about evolving developments will be crucial for assessing and responding to the economic outlook in February 2024.



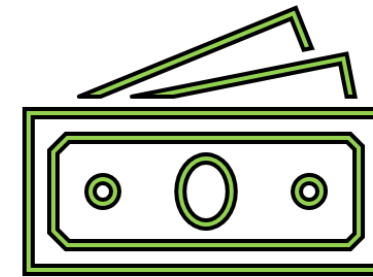
## Resource sector continue to drive domestic growth

PNG's economy is performing well, with the International Monetary Fund (IMF) estimating that the real GDP will grow by 5%, whilst World Bank forecasts GDP growth to decelerate to 4.5%, a 0.6% drop from 2023. Meanwhile, ADB is forecasting GDP growth to accelerate from 2% in 2023 to 2.6% in 2024. However, execution remains with the government to focus on discretionary spending, improve governance and focus on key economic projects to generate an upward trajectory from a growth perspective.



## Commodity Forecasts remain stable

Commodities will be subject to volatility driven by global demand and supply and other investment themes but are projected to increase...



## Currency set to regain strength

2024 promises to be an exciting year for the forex market, with central bank showdowns and political drama.



## Sluggish Growth for Equities

The 2024 Market Outlook report by J.P. Morgan Research suggests that the macroeconomic backdrop of sluggish growth and stubborn inflation is expected to cloud the forecast for equities in advanced and emerging markets.



## Money Market Expectations

**International bonds:** Economic data and comments by central bank officials indicated interest rate cuts remain some way off, leading to higher bond yields.

**PNG treasury Bonds:** First tranche of Treasury Bond issuance was held on the 28th February 2024 with BPNG increasing intervention in the FX market, playing a big part in system liquidity and the increase in auction rates across all tenors. Accordingly, the 2024 budget has a deficit of 3.3% of GDP, or PGK 3,983.6 million. The deficit balance of PGK 2,320.4m is to be financed domestically through Treasury Bills, Bonds, and loans, and the remainder externally.

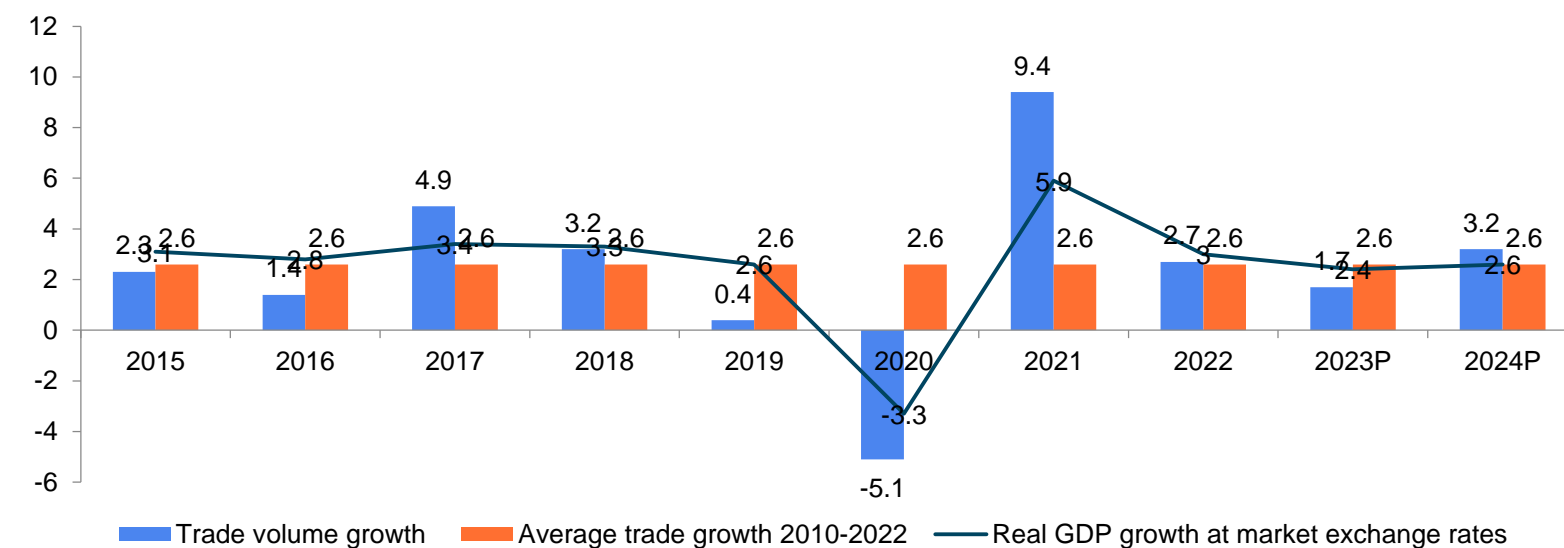
# 2.0 Global economic update



**As of February 2024, the global economic outlook appears to be cautiously optimistic but remains clouded by several challenges and uncertainties.**

## GLOBAL ECONOMIC GROWTH

Global economic growth is expected to continue, albeit at a moderate pace. Various regions may experience divergent growth trajectories due to differences in vaccination rates, fiscal stimulus measures, and structural factors. Real GDP growth projections remain the same as projected in the World Bank's January report.



## TRADE OUTLOOK

The global trade outlook is influenced by various factors, including geopolitical tensions, economic recovery from the COVID-19 pandemic, trade policies, and supply chain disruptions. According to the World Bank, changes in trade policies, including tariffs, trade agreements, and regulatory frameworks will have an impact on trade volumes and patterns. Countries therefore need to adopt protectionist measures or pursue trade liberalization initiatives.

## INFLATION

Inflationary pressures persist in many parts of the world, driven by factors such as supply chain disruptions, increased demand as economies reopen, and elevated commodity prices. Central banks are closely monitoring inflation dynamics and adjusting monetary policy accordingly.

## MONETARY POLICY

Central banks in major economies are likely to maintain accommodative monetary policies to support growth and employment. However, there may be gradual shifts towards tightening as inflation concerns mount.

## FISCAL POLICY

Governments continue to implement fiscal stimulus measures to bolster economic recovery and address social and infrastructure needs. However, concerns about rising public debt levels and fiscal sustainability remain.

# 2.1 Other investment themes



## Investment themes that are currently influencing investment decisions...

### **ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) INVESTING**

With increasing awareness of climate change and social issues, investors are increasingly considering ESG factors in their investment decisions. Companies with strong ESG practices are often seen as more sustainable and resilient in the long term.

### **DIGITAL TRANSFORMATION**

The ongoing shift towards digitalization is impacting various sectors including technology, healthcare, finance, and retail. Investors are looking for opportunities in companies that are embracing digital transformation and leveraging technologies like artificial intelligence, cloud computing, and big data analytics.

### **RENEWABLE ENERGY AND CLEAN TECHNOLOGY**

As the world seeks to reduce carbon emissions and transition towards renewable energy sources, there is growing investment in renewable energy projects, such as solar and wind power, as well as clean technology solutions like energy storage and electric vehicles.

### **INFRASTRUCTURE DEVELOPMENT**

Governments around the world are investing in infrastructure projects to stimulate economic growth and address aging infrastructure. This includes investments in transportation, energy, water, and telecommunications infrastructure.

### **SUPPLY CHAIN RESILIENCE:**

The COVID-19 pandemic exposed vulnerabilities in global supply chains, prompting companies to reassess their supply chain strategies. Investors are interested in companies that focus on building resilient supply chains through localization, diversification, and digitization.

### **SUSTAINABLE CONSUMPTION**

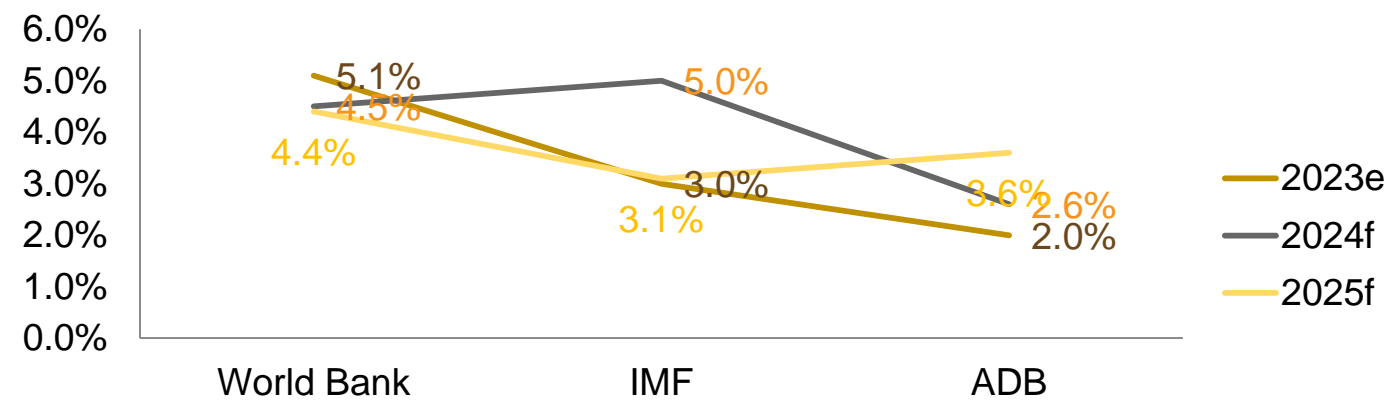
There is a growing trend towards sustainable consumption patterns, including preferences for organic and ethically sourced products, as well as the sharing economy. Investors are looking at companies that promote sustainable production methods and offer environmentally friendly products and services.

# 3.0 Domestic economic update



## In February 2024, PNG domestic growth and the resource sector experienced notable developments and challenges. ....

### PNG REAL GDP GROWTH



### ECONOMIC PERFORMANCE

PNG’s economy experienced strong growth in 2023, with an estimated real GDP growth of 3%. The International Monetary Fund (IMF) predicts a further 5% growth in 2024. However, this growth relies heavily on new resource projects, such as the Papua Liquefied Natural Gas project. Uncertainty surrounds the schedules for these projects. Non-resource GDP, which provides a more accurate picture of the economy, is expected to grow by 4.6% in both 2023 and 2024.

### GEOSTRATEGIC IMPORTANCE

In 2023, PNG’s growing geostrategic importance was recognized internationally. The country signed a Defense Cooperation Agreement with the United States and hosted foreign leaders from various nations. However, this favorable situation may change as the grace period ends, potentially impacting both the economy and political stability.

### PNG’S RESOURCE SECTOR UPDATES

The resource sector’s anticipated growth has been postponed, now projected to occur between 2024 and 2025. This delay is attributed to various factors, including the performance of the PNG LNG production, which is expected to remain below its nameplate capacity.

### INFLATION

Inflation is expected to subside gradually, contributing to a moderate pace of recovery in the resource sector.

### PORGERA MINE REOPENING

The Porgera Mine is expected to be on full production by Q3 2024. This development is significant for PNG’s mining industry.

### RESOURCE SECTOR DATA TRANSPARENCY

The PNG Extractive Industries Transparency Initiative (EITI), in collaboration with the Treasury and JICA, is embarking on phase two of enhancing data transparency in the mining and petroleum sectors. This initiative aims to provide accurate and accessible information to stakeholders.

### GOVERNMENT INFRASTRUCTURE INVESTMENTS

Prime Minister James Marape’s government has allocated funds to complete multiple highways across the country as part of the ‘Connect PNG Programme’. Over the last three years, K2.4 billion has been spent on roadworks, with K1.4 billion invested in the current year alone.

# 4.0 Commodities



While the outlook for global commodities is influenced by various factors, including supply-demand dynamics, economic conditions, and policy developments, continued vigilance and analysis are essential for understanding and navigating the complexities of commodity markets.

	RATES [30 JAN,24]	RATES [25 Feb,24]	TRADE FORECAST	STATUS UPDATES	Growth Change %
Crude Oil USD/Bbl	8.81%	13.23%	80.97	Crude Oil is expected to trade at 81.23 USD/BBL by the end of Q1-24, according to Trading Economics global macro models and analysts expectations. Looking forward, analysts estimate it to trade at 81.91 in as the year ends.	↑ 4.42%
Natural Gas USD/MMBtu	-10.48%	28.82%	3.28	The developments prevent the US from exporting additional natural gas through the LNG plant, lifting the supply of the commodity for domestic usage. Additionally, relatively low consumption due to a tame winter, near record-high gas production, strong hydropower output, and ample beginning stocks drove current natural gas storage to be more than 41% above the five-year average in late March, according to weekly data from the EIA.	↑ 39.30%
Gold USD/MMBtu	-1.22%	5.23%	2,158.85	Gold rose above \$2,170 an ounce on Monday, snapping a two-day decline as the dollar retreated slightly ahead of a key US inflation reading that could provide clues on the monetary policy path.	↑ 6.45%
Copper USD/LBS	0.67%	3.20%	3.79	Copper futures sunk toward the \$4 per pound mark after reaching a near-one-year high of \$4.12 on March 18th, as looming concerns over the strength of the Chinese economy and its debt-ridden property sector retook the forefront of investors' attention following upside surprises in macroeconomic releases and smelters' decision to ease production.	↑ 2.53%
Coffee USD/LBS	3.03%	1.41%	210.80	Arabica coffee futures declined to nearly \$1.8 per pound, touching new 2-month lows, amid ample supply. Brazil's coffee exports surged by almost 48% in February compared to the previous year, as reported by Cecafé. The International Coffee Organization (ICO) announced a 23.2% increase in global Arabica coffee exports in January, with NY stocks reaching 0.35 million 60-kg bags in February, the highest in four months	↓ -1.62%
Cocoa USD Cents/Kg	14.51%	113.04%	4,561.03	Cocoa futures resumed their upward trend to breach 8,600 per pound, a new historic high, due to lingering concerns about tight cocoa supplies from West Africa. Dealers said that the market experienced some panic due to recent reports indicating that certain cocoa plants in Ivory Coast and Ghana have either halted or reduced processing activities because they could not afford to buy beans.	↑ 98.53%
Rubber USD Cents/Kg	-2.56%	4.87%	164.37	Rubber prices are poised to sustain their upward trajectory in the coming months propelled by a widening global supply deficit and robust demand stemming from China's expanding electric vehicle sector. Rubber increased 7.60 US Cents/kg or 4.87% since the beginning of 2024, according to trading on a contract for difference (CFD) that tracks the benchmark market for this commodity.	↑ 7.43%
Palm Oil MYR/T	3.41%	13.46%	4,655.63	Palm Oil increased 553 MYR/MT or 14.86% since the beginning of 2024, according to trading on a contract for difference (CFD) that tracks the benchmark market for this commodity.	↑ 10.05%

# 5.0 Currency updates



2024 promises to be an exciting year for the forex market, with central bank showdowns and political drama.



The U.S. dollar has strengthened, closing at its best level since mid-February on Friday, according to the DXY index. Despite initial losses following the Fed's dismissal of renewed inflation risks and indications that it was still on track for 75 basis points of easing this year, the greenback reversed higher in the next two days amid a global shift in interest rate expectations.



The Australian Dollar remained relatively stable against most major currencies, except for the strong US Dollar. The Federal Reserve's aggressive rate hike stance influenced the USD's strength. According to the February reports from Daily FX, the AUD/USD exchange rate fluctuated between 0.6430 and 0.6630 during February. Traders' sentiment showed that the majority were long on the AUD/USD pair, with 79.03% of traders holding long positions.



NZD/USD: The retail trader data from the Daily FX shows 49.55% of traders are net-long with the ratio of traders short to long at 1.02 to 1. In fact, traders have remained net-short since Feb 27 when NZD/USD traded near 0.62, price has moved 0.53% higher since then.



USD/PGK is expected to modestly rise this year due to the following factors according to the Daily FX reports:

- A slowdown in the US economy.
- A reduction in inflation.
- The Federal Reserve (Fed) adopting a less restrictive monetary policy.
- Tighter financial conditions discouraging borrowing and spending, leading to slower economic growth and further disinflation.



# 6.0 Equities



**Equities outlook in 2024 is expected to be volatile, challenging the bull thesis and testing weak-handed investors. Trading during Feb saw slight declines in trading volumes with BSP, KAM and SST.**

## GLOBAL EQUITIES:

Major global equity benchmarks surged significantly, with some rising up to 8% during the month of February, 2024. Asian stock markets, including China and Japan, led this outperformance, whilst US Small Caps outperformed, with the Russell 2000 hitting a new one-year high. Strong earnings from technology companies boosted overall equity market sentiment and lifted stocks globally. While the American Economic Association expects another good year for equities, there are signs of short-term fatigue: The S&P 500 has rallied in 13 of the last 14 weeks. Breadth has started to narrow, a classic sign of short-term exhaustion.

## US DOW JONES

Throughout the month of February, the Dow Jones Industrial Average ( DJI) exhibited fluctuations, responding to various economic indicators and events. According to the DJI average performance on February 29, 2024, DJI opened at 39,013.75, reached a high of \$39,074.13, dipped to a low of 38,809.28, and closed at 38,996.39 with a trading volume of 521,771,2991.

## ASX 200

Throughout the month, the ASX 200 exhibited remarkable stability, maintaining a consistent level of 7,640. Recent data indicated that on the February 29, 2024, the ASX 200 opened at 7,640, reached a high of 7,640, dipped to a low of 7,640, and closed at 7,640.

## PNGX

In February 2024, the PNGX Markets witnessed various developments. Accordingly on the 29 February, 2024, Kina Asset Management Limited (KAM) reported a Net Tangible Asset (NTA) value of K1.69 per share. This NTA reflects the underlying value of the company's assets and serves as an important metric for investors

PNGX Close	24-Jan	24-Mar	Chg. (K)	Chg. (%)	Key:
BSP	15	16.1	1.1	1%	Increase
CCP	2	2.11	0.11	0%	Decrease
CGA	Suspended	-	-	-	Steady
COY	0.02	0.02	0	0%	
CPL	0.79	0.79	0	0%	
KAM	0.9	10.02	9.12	9%	
KSL	2.7	2.9	0.2	0%	
NEM	145	145	0	0%	
NGP	0.69	0.69	0	0%	
NIU	-	-	-	-	
SST	35.46	45	9.54	10%	
STO	19.24	19.3	0.06	0%	

# 7.0 Money markets



**In February 2024, the Papua New Guinea (PNG) money market exhibited interesting trends, with Yields from the money market expected to remain subdued in the near term...**

### TREASURY BILLS [T-BILLS]

First tranche of Treasury Bond issuance was held on the 28th February 2024 with BPNG increasing intervention in the FX market, playing a big part in system liquidity and the increase in auction rates across all tenors. Accordingly, the 2024 budget has a deficit of 3.3% of GDP, or PGK 3,983.6 million. The deficit balance of PGK 2,320.4m is to be financed domestically through Treasury Bills, Bonds, and loans, and the remainder externally.

### 364 DAYS T-BILL

Investors showed strong appetite for the 364-day T-bill during the second week of February. The total offering was K229.04 million, and it experienced oversubscription by an aggregate amount of K272 million. Successful bids amounted to K219.04 million.

### 182 DAYS T-BILL

There were no bids received for the 182-day T-bill, resulting in unchanged rates for this tenor.

### 273 DAYS T-BILL

Rates for the 273-day T-bill increased by 2 basis points during the week.

### OVERALL SUBSCRIPTION RATE

The overall subscription rate for the T-bill offerings was 2.30%

### KINA FACILITY RATE [KFR]

The KFR was maintained at 2.50%

Auction results 23 February 2024				
Terms	182 days	273 days	364 days	Total
W.A.Y 15/03/24	1.80%	2.45%	3.13%	-
Amount on offer [K'm]	30	30	359.46	419.64
Bids received [K'm]	60	30	322.64	412.64
Successful Bids [K'm]	60	30	322.64	412.64
Overall Subscription	2.00	1.00	0.90	0.98

Source: BPNG; WCAL

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