



WEATHERMEN
CAPITAL ADVISORS LIMITED

Investment Report – March 2024

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

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1.0 Executive Summary



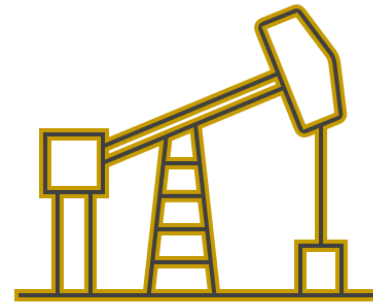
Global Economy remain subdued

Global Economic growth in March 2024 - projected signs of positive recovery and growth throughout the year as US and China's growth outlook improve however, risks and challenges persist.



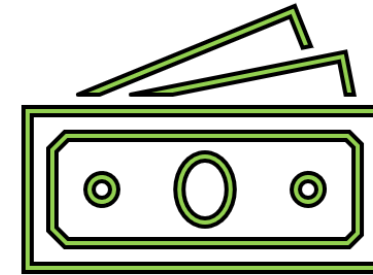
Domestic update: Resource sector continue to drive growth

In March 2024, PNG experienced modest growth as the mineral resources sector continue to drive the economy forward, thus, is anticipated to position itself for a decade of sustained economic growth as the year ends.



Commodity Forecasts remain stable

The commodity market outlook for March 2024 remained highly uncertain, as consumers and businesses grapple with lingering cost pressures and high interest rates, subdued global economic activity is expected to translate into softer commodity demand.



Currency set to regain strength

The currency landscape in March 2024, was influenced by economic trends, inflation, and geopolitical factors.....Investors therefore are encouraged to keep an eye out for developments as they shape the currency markets.



Sluggish Growth for Equities

March 2024 was characterized by impressive gains in the stock market, setting the stage for further economic developments and investor optimism....As PNG experiences a surge in economic activity due to the natural resources activity, several industries are poised for significant expansion, making them a prime candidate for listing on PNGX

Other themes for Investment: Investors should align with the current Multi-decade transitions, such as technological advancements, demographic shifts, and climate change that are gradually materializing.



Money Market Expectations

International bonds:

Economic growth is expected to keep some upward pressure on intermediate to longer-term Treasury bond yields as well as the government's need to issue incrementally more debt to finance ever-growing budget deficits.

PNG treasury Bonds:

According to BPNG, a total of K 310.74m was offered in the T-bill auction in the last week of March.

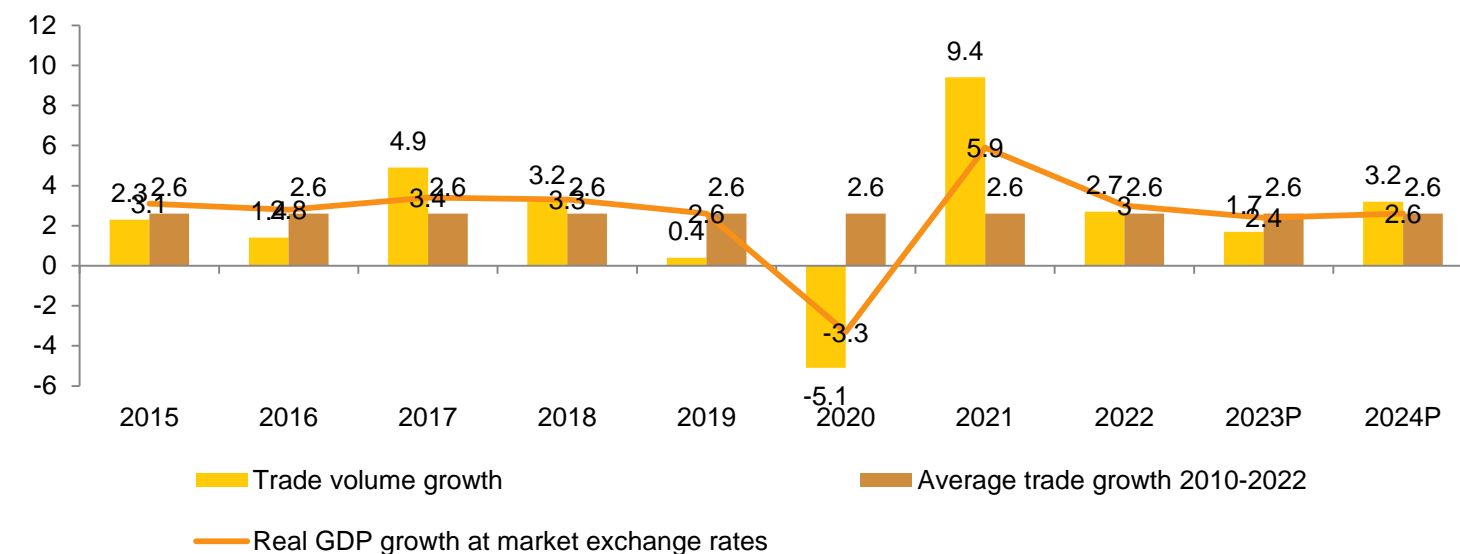
Meanwhile, the 2024 budget has a budget deficit of 3.3% of GDP, or PGK 3,983.6 million. The deficit balance of PGK 2,320.4m is to be financed domestically through Treasury Bills, Bonds, and loans, and the remainder externally.

2.0 Global economic update



Global Economic growth in March 2024 - projected signs of positive recovery and growth throughout the year as US and China's growth outlook improve, however, risks and challenges persist.

GLOBAL ECONOMIC GROWTH



In March 2024, the global economic outlook saw some notable developments, S&P Global Market Intelligence, IMF, World Bank and ADB have revised its global growth forecast for 2024 upward. Accordingly, the annual real GDP growth is projected at 2.6%, up from the initial estimate of 2.3% at the beginning of the year. This upward revision reflects improved growth forecasts for several countries, including the United States, the United Kingdom, and India.

Meanwhile, the IMF reported that the resilience of the United States and several large emerging market and developing economies, along with fiscal support in China, contribute to this positive outlook.

GLOBAL TRADE REBOUND

After a downward trend in the previous year, global trade is poised to rebound in 2024. According to the United Nations Conference on Trade and Development (UNCTAD), experts predict that global trade in goods will increase by approximately 1%, while trade in services grew by about 3.2% during Q1 2024.

Global economic outlook: March 2024 | S&P Global (spglobal.com), WB, ADB, MF reports

INFLATION

The consensus forecast for March inflation was 3.5%, up from 3.2% in February, according to the Forbes and NBC news. Consequently, the inflation rate remained elevated, adding another round of price increases to Americans' already-strained wallets, it's reasonable to anticipate that the inflation outlook the upcoming months would likely show a continuation of this trend. However, specific inflation figures would depend on various factors including economic conditions, policy actions by central banks, commodity prices, and geopolitical developments.

DETAILED INFLATION TRENDS

Advanced Economies:

Headline inflation continued to moderate in most advanced economies, according to the World Bank.

- Notably, the dynamics of goods and services inflation differed:
- Consumer goods prices declined in the United States and the euro area at a slower pace.
- Service price inflation remained stagnant due to factors like labor intensity and wage growth.

Emerging Market and Developing Economies (EMDEs):

- Inflation moderated as activity stabilized.

Source: [Inflation report March 2024: What the numbers say about consumer prices, interest rates \(nbcnews.com\)](#), World Bank Global Monthly March 2024 report.

2.1 Other investment themes



Investors should align with the current multi-decade transitions, such as technological advancements, demographic shifts, and climate change that are gradually materialising.

PREPARING FOR AN ECONOMIC SLOWDOWN:

Real GDP growth is forecasted to slow down to 1.2% in the fourth quarter, investors are strategizing for potential economic headwinds. A soft landing is still achievable if the Federal Reserve avoids further interest rate hikes and starts cutting rates during the Q2-24.

DECLINING INTEREST RATES:

With the end of the rate hike cycle, rate cuts are likely in 2024 to prevent an economic slowdown from turning into a recession. Investors should position their portfolios accordingly.

ARTIFICIAL INTELLIGENCE (AI):

The transformative impact of AI continues to influence investment decisions. Companies leveraging AI for efficiency gains, automation, and innovation are attracting attention.

GEOPOLITICAL RISKS:

Existing uncertainties related to global politics and elections may lead to short-term bouts of volatility. Investors need to stay vigilant and consider geopolitical factors in their strategies.

SUSTAINABILITY:

Environmental, social, and governance (ESG) considerations are gaining prominence. Companies with strong ESG practices are increasingly appealing to investors.

REGIME CHANGE:

Open-ended shifts in conditions are creating investment opportunities. Understanding these changes and adapting investment strategies accordingly is crucial.

SUPER-CYCLES:

Conditions expected to outlast multiple market cycles offer long-term investment prospects. Identifying super-cycles can guide portfolio allocation.

STOCK AND BOND MARKET EXPANSION:

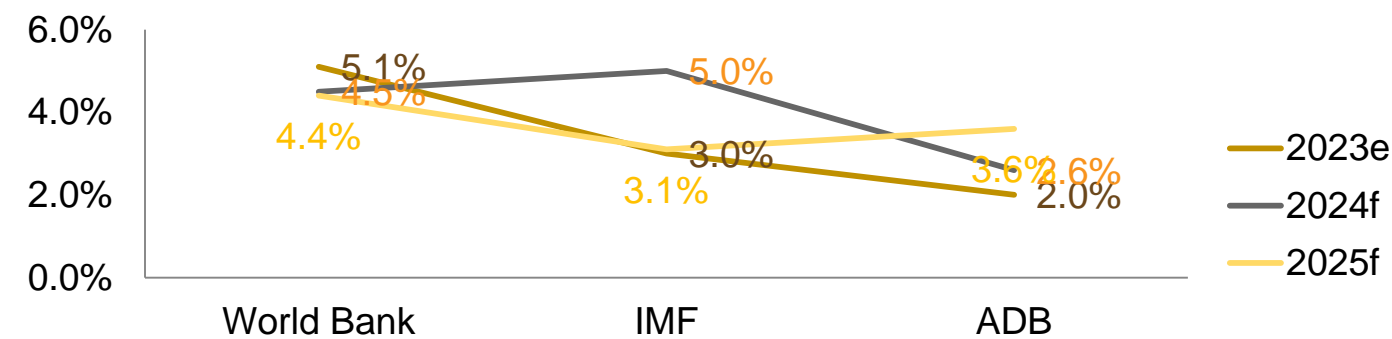
The breadth of the stock and bond market rally is expected to widen in 2024, beyond the limited gains seen in 2023. Investors should diversify their holdings.

3.0 Domestic economic update



In March 2024, PNG experienced modest growth as the mineral resources sector continue to drive the economy forward, thus, is anticipated to position itself for a decade of sustained economic growth as the year ends.

PNG REAL GDP GROWTH



ECONOMIC PERFORMANCE

In March 2024, PNG’s real GDP experienced growth as the mining and quarrying sector expanded by 7.4%, contributing K1,633 million to the economy. Additionally, agriculture, forestry, and fishing saw a 5.6% increase, adding K757 million. However, the construction sector faced a decline of 5.5%, resulting in a decrease of K276 million. Real GDP projections reported by WB, IMF, and ADB in the January Reports remain the same.

INFLATION

After slowing to 3.5% in 2023, inflation is expected to rise to 5% in 2024.

INCREASED SPENDING:

The budget is underpinned by a predicted 14.5% increase in tax receipts, largely due to expected economic activity growth. Donor grants are also expected to rise by 8.9%, and receipts from the resources sector are anticipated to improve.

RESOURCE SECTOR:

Unfortunately, in March, the resource sector growth was stagnant as the production of PNG LNG remained below its nameplate capacity. However, it is anticipated that there should be recovery at a moderate pace as inflation subsides toward 2024.

UPSIDE POTENTIAL:

Despite challenges, PNG’s economy has significant upside potential. Factors contributing to this include the reopening of the Porgera Gold Mine and the anticipated final investment decision for Papua LNG in early 2024. These resource projects are likely to stimulate economic activity, boost tax revenue, and address foreign exchange shortages.

FISCAL SUSTAINABILITY

PNG should aim to improve the credibility of the annual budget process, as well as ensure companies operating in the resource sector are contributing revenue back to PNG’s budget. The report also emphasizes that further improvements to the PNG’s tax policy and tax administration will ultimately help to reduce the country’s debt burden.

4.0 Commodities



The commodity market outlook for March 2024 remained highly uncertain, as consumers and businesses grapple with lingering cost pressures and high interest rates, subdued global economic activity is expected to translate into softer commodity demand.

	RATES [25 Feb,24]	RATES [29 Mar ,24]	Change [MoM]	Growth Change %	STATUS UPDATES	TRADE FORECAST (Q2-24)
Crude Oil USD/ Bbl.	83.76	85.45	1.68	2%	Crude Oil increased 85.45USD/BBL during March 2024, a 2% growth from February projections. Looking forward, analysts estimate it to trade at 85.22 in Q2-24 and further increase to 91.25 USD/BBL as the year winds down.	85.22
Liquefied Natural Gas USD/MMBtu	13.64	13.54	-0.10	0%	Liquefied natural gas prices decreased to \$13.54 MMBtu due to on continuing decline in output and forecasts for more demand during the month of March, 2024... Consequently, gas output fell to an average of 100.8 billion cubic feet per day in March, down from 104.8 in February as several energy firms, including EQT and Chesapeake Energy, delayed well completions and cut back on other drilling activities.	1.81
Gold USD/MMBtu	2023.24	2158.01	134.77	135%	Gold prices went up to as much as \$2158 an ounce, hitting new record levels, as geopolitical tensions and a rise in demand from funds and central banks offset the strong dollar and the possibility that US interest rates will stay higher for longer. Gold is expected to trade at 2273.85 USD/t oz. by the end of Q2-24, according to Trading Economics global macro models and analysts expectations. Looking forward, Gold is estimated to trade at 2341.40 in 12 months time.	2273.85
Copper USD/LBS	8304.95	8689.13	384.18	384%	Copper futures rose from 8304.95 to 8689.13 USD/MMBtu on March 29 th , driven largely by stronger-than-expected economic growth from China, despite global chain disruptions impacted by the ongoing Russian Ukrainian war.	3.99
Coffee USD/LBS	4.60	4.61	0.00	0%	Arabica coffee futures climbed towards the \$4.61 USD/LBS on March 29, rebounding from the two-month lows of \$1.8 reached on March 18th, after an announcement from the Vietnam Coffee Association, indicating a potential 20% year-on-year decline in the country's coffee exports for the 2023/2024 period.	194.16
Cocoa USD/MT	5.56	7.09	1.53	2%	Cocoa increased from \$5.56USD/MT in March and is expected to trade at 10036.52 USD/MT by the end Q2-24, according to Trading Economics global macro models and analysts expectations. Looking forward, Cocoa is estimated to trade at 10893.97 in 12 months time.	10036.52
Rubber USD Cents/Kg	2.02	2.39	0.37	0%	Rubber increased 2.39US Cents/kg since March of 2024. According to trading on a contract for difference (CFD) that track benchmark market for this commodity. According to the World Bank Commodity Report, Rubber increased to 20.2USD/Cents in February and rose further by 0.37USD/Cents in March.	166.45
Palm Oil MYR/T	942.92	856.93	85.99	86%	Palm Oil is expected to trade at 4419.09 MYR/MT by the end of Q2-24, according to Trading Economics global macro models and analysts expectations. Looking forward, it is estimated to trade at 4726.74 in 12 months time. Trade rates for March decreased to 856.93, an 86% drop from February 2024 commodity data records.	4419.09

Key:

Increase

Decrease

5.0 Currency updates



The currency landscape in March 2024 was influenced by economic trends, inflation, and geopolitical factors.....Investors therefore are encouraged to keep an eye out for developments as they shape the currency markets.



USD/PGK:

The Dollar Index (DXY), which measures the strength of the USD against a basket of major world currencies reached a high of 107.38 and a low of 102.03 during the month of March. The average value for the month was 104.92. By the end of March, the DXY stood at 105.79, representing a 1.3% increase for the month.

According to Reuters, DXY forecast for the next few months is as follows:

- ❑ **April 2024:** Expected to close at 105.79 (+1.3% change).
- ❑ **May 2024:** Anticipated to reach 107.34 (+1.5% change).
- ❑ **June 2024:** Projected to end at 107.68 (+0.3% change).



AUD/USD:

The Australian Dollar (AUD) experienced fluctuations against the US Dollar (USD) during the month of March.

The rate was down by approximately 4.29% in 2024, indicating a decrease in the Australian Dollar's value compared to the US Dollar.

This movement suggests a shift in the currency pair's dynamics, influenced by global economic trends and monetary policies.

Due to the divergence in monetary policy timelines between the RBA and the US Federal Reserve (Fed), the Australian dollar could gain momentum later in the year, potentially leading to further appreciation in AUD/USD.



NZD/USD:

NZD/AUD fell steadily through the month OF March and closed about 2% lower at 0.9180, breaking below 0.92 for the first time since November 2023.

The outlook has been grinding higher as risk appetite has improved, but it's hard to rule out further modest weakness given a softer yuan and yen could continue to be a drag.

Ultimately, a higher NZD/USD still projected for Q2-24.



PGK/USD:

The exchange rate between PNG (PGK) and the United States Dollar (USD) has fluctuated over the past few months. Accordingly, the data for the PGK to USD exchange rate in on March 31, 2024, 1 USD was equivalent to 3.8231 PGK.

Looking ahead, analysts project that the PGK to USD exchange rate will be approximately 0.26269 by the end of Q2-24 and around 0.25649 within a year

7.0 Money markets



Economic growth is expected to keep some upward pressure on intermediate to longer-term Treasury bond yields as well as the government’s need to issue incrementally more debt to finance ever-growing budget deficits.

TREASURY BILLS [T-BILLS]

BPNG increased intervention in the FX market still has a big impact on system liquidity and the increase in auction rates across all tenors. According to BPNG, a total of K 310.74m was offered in the T-bill auction in the last week of March. Meanwhile, the 2024 budget has a budget 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

The 364 days offering experienced strong bidding with a 1.01% subscription rate.

AVERAGE RATE

Weighted average rate for the 364 days paper increased by 6 points whilst rates for the 182 and 273 days remained unchanged respectively.

OVERALL SUBSCRIPTION

The overall auction was undersubscribed by K9.01. Accordingly, the Significant undersubscription was seen in the 182 days paper whilst no offerings for the 273 days paper during the last week of March.

KINA FACILITY RATE [KFR]

The Kina Facility Rate (KFR) remains at 2.00% since February.

PNG Treasury Bills (T-Bills) auctions in March 28 March, 2024:

Auction 2024/2971:

- Security Type:** Government Treasury Bill
- Term:** 182 days
- Maturity Date:** 27th September 2024
- Amount On Offer:** K15,000,000.00
- Previous Weighted Average Rate:** 1.85%
- Total maturity:** K7,630,000.00 (including K0 Tap maturity).

Auction 2024/2972:

- Security Type:** Government Treasury Bill
- Term:** 364 days
- Maturity Date:** 28th March 2025
- Amount On Offer:** K295,740,000.00
- Previous Weighted Average Rate:** 3.22%
- Total maturity:** K303,110,000.00 (including K0 Tap maturity).

Auction results 28 March 2024

Terms	182 days	273 days	364 days	Total
W.A.Y 28/03/24	1.85%	2.45%	3.29%	-
Amount on offer [K'm]	15	0	295.74	310.74
Bids received [K'm]	2	0	299.73	301.73
Successful Bids [K'm]	2	0	299.73	301.73
Overall Subscription [%]	0.13	-	1.01	0.97

Source: BPNG; WCAL

6.0 Equities



March 2024 was characterized by impressive gains in the stock market, setting the stage for further economic developments and investor optimism....As PNG experiences a surge in economic activity due to the natural resources activity, several industries are poised for significant expansion, making them a prime candidate for listing on PNGX

GLOBAL EQUITIES:

Global equities advanced briskly in March 2024, as investors reconciled themselves to a new reality of interest rates staying higher for longer than expected. With macroeconomic concerns beginning to recede, economists think earnings growth is poised to take center stage as a driver of stock returns for a wider group of companies across equity markets. In addition, economists indicate that 2024 global equity capital markets, deal making has been robust in Q1-24.

US DOW JONES

The Dow Jones Industrial Average reached 39,781.5 points, coming within a stone's throw of the 40,000-point milestone. This remarkable surge reflects the strength of the U.S. stock market during that period.

ASX 200

In March, the **S&P/ASX 200 Index** experienced notable movements. Here are some key highlights of the Market Performance:

1. The ASX 200 rose by approximately 3.27% during the month¹.
2. Smaller plays, including Emerging Companies, Midcap, and Small Ordinaries, outperformed large caps in March.

PNGX

As part of the ongoing initiative to develop the PNG bond markets, International Federal Council (IFC) and PNGX are already strengthening the market's legal and regulatory framework, modernising bond market infrastructure and providing training and education for regulators and market participants.

According to the PNGX market updates, KLS (Kina Securities Limited) released its FY2023 Audited Consolidated Financial Statements on April 2, 2024. SST (Steamships Trading Company) issued a Notice of AGM & Proxy Form on March 28, 2024. Additionally, they published their Steamships Annual Report 2023 on the same date whilst, CPL (City Pharmacy Limited) made a Notice of Revision via Appendix 5C on March 22, 2024.

PNGX Close	24-FEB	24-Mar	Chg. (K)	Chg. (%)	Key:
BSP	16.12	16.12	0	0%	Increase
CCP	2.11	2.11	0	0%	Decrease
CGA	-	-	-	-	Steady
COY	0.02	0.02	0	0%	
CPL	0.79	0.79	0	0%	
KAM	1.15	1.15	0	0%	
KSL	2.95	2.95	0	0%	
NEM	145	145	0	0%	
NGP	0.69	0.69	0	0%	
NIU	-	-	-	-	
SST	45	45	0	0%	
STO	19.36	19.36	0	0%	



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