



KINA SECURITIES LIMITED

Kina Communiqué

Tuesday 1 June

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KS*i* Report

For the week ending 26 May 2010 the KSi fell 0.18% to 6,488.32 points. In comparison the KSHi increased by 0.34% to close the week on 7,690.09 points.

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ANZ forecasts strong growth for PNG

Despite recent turbulence on the European markets, Papua New Guinea is continuing to record strong economic growth to position itself as a genuine development and economic driver of the South Pacific region.

In its latest Pacific Quarterly report the ANZ Bank has forecast strong growth for PNG moving forward, with the nation's gross domestic product expected to expand by approximately 6.5 per cent this year and a further 8.0 per cent in 2011.

These strong forecasts are certainly promising for us all, particularly at a time when many nations across the world are continuing to feel the long-term economic impacts resulting from the global financial crisis.

Whilst the continued fragility of international markets should remain a key focus for us all, it is certainly promising to see a number of Pacific nations, including PNG, demonstrate strong future prospects as they develop into key drivers of the regional and global economic recovery process.

The Bank's report also suggested that PNG's economic outlook would continue to improve strongly along with global trade and commodity prices.

The report further highlighted recent developments of the groundbreaking liquefied natural gas project, which is anticipated to inject billions of kina back into the domestic economy and, once complete, will become the new benchmark against which all regional infrastructure projects are compared.

"Despite last year's decline in trade brought on by global conditions there was employment growth at the end of the year. As commodity prices increase on the back of the global recovery, trade is expected to improve. Employment will experience a boost as the LNG project enters its construction phase," the report stated.

"The Liquefied Natural Gas project should transform PNG's economy in the years ahead. Construction has begun and related activity should bring tangible benefits in the near term. When the project comes online in late 2014, government analysis shows that it will make a significant contribution to GDP growth," it stated.

It is promising to see that economic assessments into the recovery rate of Pacific nations following the global financial crisis are continuing to highlight the strength of PNG, and its ability to not only withstand the long-term impacts of the recession, but emerge with strong prospects moving forward.

Our nation's ability to successfully weather what eventually developed into the worst financial recession in more than half a century is a genuine achievement which should instill PNG with great confidence moving forward.

However the continued turbulence surrounding a number of European markets is a strong indication that we are not yet out of the woods. As a nation we must continue to work hard to develop a stable and competitive economic environment which encourages ongoing business and investment, and ultimately delivers genuine benefits to the people of PNG.

Syd Yates OBE
Kina Securities CEO

News in Brief

Bougainville signs agreement to further coffee industry

The Coffee Industry Corporation (CIC) has signed a memorandum of understanding with the Autonomous Bougainville Government in a bid to help develop coffee within the region. Coffee continues to be one of the largest agricultural earners of foreign exchange in PNG and, with an estimated 60,000 tonnes of beans produced locally each year, the economic and social importance of this key sector to the people of PNG cannot be understated.

Bougainville Minister for Primary Industries, the Hon. Dominic Atta, said demand for growing coffee in the high altitude areas of Bougainville continued to increase and the MOU would assist the region in meeting its production potential.

“The Autonomous Region of Bougainville is a new growth area that will contribute to increase the production figures of PNG coffee and I urge the people of ARB to take their own initiative in caring for their coffee and CIC will step in only to assist,” said CIC chief executive officer Navi Anis.

China pays tribute to PNG

China has paid tribute to the strength of its bilateral relationship with PNG, describing our Nation as a close friend and a key partner in its business development goals moving forward.

“Our mutual and bilateral cooperation is important because we see PNG as a true friend and partner in the Pacific region,” said China’s ambassador designate to PNG Qui Bohua.

“The Chinese government is ever ready to work with PNG to boost friendly exchanges and mutually beneficial cooperation in various fields to make new progress in the bilateral relations,” he said.

Market Overview

Week Ending 26 May 2010				
Index	Close 26/05/2010	Weekly Change	Last Week 19/05/2010	2009 End 31/12/2009
KSi	6,488.32	-11.86	6,500.18	6,816.26
KSHi	7,690.96	26.22	7,664.74	8,580.09

For the week ending 26 May 2010 the Kina Securities Index (KSi) dropped 11.86 points, or 0.18 per cent, to close the week at 6,488.32 points. In comparison the Kina Securities Home Index (KSHi) rose 26.22 points or 0.34 per cent to close on 7,690.09 points. The trading volume on the Port Moresby Stock Exchange during the week was 331,899 shares exchanged with a value of K302,028.40.

There two stocks which gained during the week compared to one which fell. LGL, gained an additional 4t at K8.10, and NBO gained 19t to close at K19.19. In comparison OSH dropped 15t to K13.65. All other stocks remained unchanged.

Global Overview

US economy grows slower than expected

The United States' Commerce Department has reported the nation's economy expanded at an annualised rate of three per cent during the first quarter of 2010. This figure was lower than its initial forecast of 3.2 per cent.

This is the third quarter in a row the US economy has experienced growth, however it was at a considerably slower pace than the 5.6 per cent expansion it achieved during the last quarter of 2009.

The report comes after recent employment figures indicated the Nation's jobless rate had increased to 9.9 per cent in April 2010, up from 9.7 per cent in the previous month.

Spain's credit rating downgraded

Leading global rating agency Fitch has downgraded Spain's credit rating from the maximum AAA to AA+, citing the Nation's poor growth prospects. Fitch is the second agency to downgrade Spain's rating after Standard & Poor's took the same action last month.

This comes as the Spanish Parliament last week backed a 15 billion euro austerity package designed to reduce its budget deficit. The package includes wage cuts of five percent or more for civil servants and slashes public investment plans. The program is designed to reduce a deficit of 11 per cent of GDP to six per cent by 2011.

Treasury Bill Auction Results

WEEK ENDING: **28 May 2010**
AUCTION NUMBER : **TB10/05/4-28**
AUCTION DATE: **26 May 2010**
AMOUNT OFFERED ON AUCTION: **K 50.000 "Million"**

Terms	28 Days	63 Days	91 Days	182 Days	363 Days	Total
Weighted Average Rates(%)	0.00	0.00	7.00	5.50	6.25	
Amount on offer (Kina) million	0.000	0.000	0.000	20.000	30.000	50.000
Bids received (Kina) million	0.000	0.0000	0.000	76.200	87.400	163.600
Successful Bids (Kina) million	0.000	0.000	0.000	20.000	29.990	49.990
Overall Auction OVER-SUBSCRIBED by million	K113.60					

Note: Rates quoted refer to results of the Treasury Bills tender conducted by Bank of Papua New Guinea

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