

31 December 2015

| Prices as at POM Close on Friday | 31-Dec-15 | % change for the: | | |
|---|-----------|-------------------|--------|--------|
| | | Week | Month | YTD |
| Domestic | | | | |
| KSi Index | 3,417.51 | -2.1% | -4.1% | -2.3% |
| KSi Home Index | 9,599.57 | 0.1% | 0.0% | 0.5% |
| <i>POMSox shares (K/share) Arbitrage POMSox</i> | | | | |
| Bank South Pacific | 7.50 | 0.0% | 0.7% | 5.0% |
| Credit Corporation | 2.25 | 0.4% | -2.2% | -13.5% |
| City Pharmacy | 1.33 | 0.0% | -1.5% | -7.6% |
| Kina Asset Management Limited | 0.85 | 0.0% | -10.5% | -15.0% |
| Kina Securities Limited | 2.39 | 2.65 | 1.9% | 6.0% |
| Oil Search Limited | 14.71 | 14.06 | -5.0% | -12.2% |
| Highlands Pacific Limited | 0.15 | 0.20 | 0.0% | 33.3% |
| Newcrest Mining Limited | 28.48 | 26.00 | 0.0% | 4.0% |
| Australia | | | | |
| S&P/ASX 200 | 5,295.90 | 1.7% | 1.3% | -2.1% |
| S&P/ASX 50 | 5,347.70 | 1.6% | 1.2% | -3.9% |
| USA* | | | | |
| DJIA | 17,603.87 | 0.0% | 0.7% | -1.2% |
| S&P 500 | 2,063.36 | 0.0% | 0.7% | 0.2% |
| NASDAQ | 5,065.85 | 0.4% | 0.6% | 7.0% |
| Europe* | | | | |
| FTSE | 6,274.05 | 0.5% | 0.0% | -4.4% |
| DAX | 10,743.01 | 0.1% | -0.4% | 9.6% |
| CAC 40 | 4,677.14 | 0.1% | -1.1% | 9.5% |
| Asia* | | | | |
| Nikkei | 19,033.71 | 0.8% | -4.5% | 9.1% |
| Hang Seng | 21,907.71 | -1.1% | -2.3% | -7.2% |
| Shanghai | 3,550.92 | -1.0% | -0.9% | 9.8% |
| Commodities* | | | | |
| Light Crude (WTI) | 36.67 | -2.7% | -11.1% | -31.2% |
| Brent Crude | 36.59 | -2.7% | -16.9% | -36.2% |
| Gold | 1,061.40 | -1.1% | 0.0% | -10.4% |
| Currencies* | | | | |
| PGK/USD | 0.3325 | -0.6% | -0.9% | -14.3% |
| PGK/AUD | 0.4554 | -1.3% | -0.4% | -3.8% |
| AUD/USD | 0.7301 | 0.8% | -0.5% | -10.9% |
| USD/JPY | 120.410 | -0.2% | -1.8% | 0.6% |
| EUR/USD | 1.0931 | 0.0% | -0.1% | -10.1% |
| GBP/USD | 1.4822 | -0.4% | -2.2% | -4.8% |
| Ten year Government Bond yields* | | | | |
| United States | 2.29% | 0.05% | -0.02% | 0.10% |
| Australia | 2.88% | 0.11% | -0.05% | 0.05% |
| Japan | 0.27% | -0.02% | -0.05% | -0.07% |
| PNG | 11.16% | 0.00% | 0.00% | -0.73% |

* Reported as at POM close Friday; Hence North American and European markets Thursday night close.

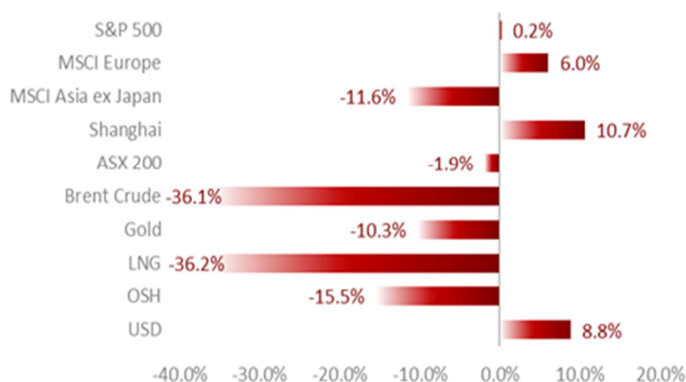
Domestic

- PNG economic growth for 2015 achieved mixed results with a downturn in revenue attributed to sharp decline in commodity prices, particularly PNG's key commodity export, LNG. All agriculture exports including palm oil, cocoa and copra also experienced a decline in prices as well. The slump in commodity prices was also attributed to El Nino which significantly affected earnings in the mineral sector that also contributed to the lower than expected Government revenue
- The health indicators of Esa'ala district in Milne Bay Province deteriorated since 2012, says local Member of Parliament Mr Steven Davis. The district is poised to improve its stats as the Milne Bay Provincial Authorities and partners assist with funding sources from the 'Government's District Services Improvement Program'
- Managing Director of local Millennium Water Limited (MWL) Achilles Peni says MWL aims to capture the water business by producing 500mls and 1000mls water bottled next year. It further aims to established itself as the leader in development, manufacturing and production, and sales of premium high quality water products in Papua New Guinea ahead of other competitors like Fiji Water
- The Chairman of City Pharmacy Limited (CPL) Mr Mahesh Patel says CPL is surging ahead with its expansion plans and growth this year despite all the stories about the world commodity prices. This is supported by solid business principles in place to go through ups and downs in the market place over the years. So far, CPL has opened two additional super markets in Port Moresby, a possible Prouds store at Port Moresby's International Airport and a Pharmacy in Mount Hagen which is already operational
- According to the ANZ PNG's Key Disclosure Statement, the bank reported a Net Profit after Tax (NPAT) of K208.6m for the year ended 2015. The result was down circa 38.2% (or K129.2m) from previous corresponding period (pcp) which was attributed to increase in provision expenses for loan losses and decline in non-interest income as a result of the FX trading band
- Westpac PNG reported a NPAT of K164.4m for the year ended 2015, down circa 21.0% (or K46.0m) from the pcp according to the Key Disclosure Statement. The decline in profit driven in large part by the decline in non-interest income as the full effect of the Bank of PNG imposition of the FX trading band materialized
- InterOil Corp (IOC) has been advised by Total E&P PNG (Total) that it has begun drilling at the Antelope-6 appraisal well. Total is the operator of PRL 15 in the Gulf province. The has a proposed total depth of around 2,464 meters true vertical depth sub-sea and is located about 2km east-south-east of Antelope-3. IOC holds a 36.0% interest in the well while total has a 40.1% interest and Oil Search has 22.0%, and the remaining 0.5% is held by minority parties.
- Barrick Gold Corporation (Barrick) has been given a "BBB-" credit rating by analysts at Morningstar. The investment research firm's "BBB-" rating indicates that the company is a moderate default risk. They also gave their stock a four star rating. Barrick is a gold mining company engaged in the production and sale of gold and copper, as well as related activities, such as exploration and mine development. The Company has 14 producing gold mines, located in Canada, the United States, Peru, Argentina, Australia, the Dominican Republic and Papua New Guinea. It also holds a 47.5% interest in Porgera gold mine in Enga province
- This week's BPNG auctions in Central Banks Bills were only offered for 28 days with an oversubscription of K510.0m out of total of K110.0m on offer. The weighted average yield was at 1.3%
- This week's BPNG auctions in Treasury Bills were undersubscribed by K111.5m out of a total K300.0m on offer indicating reduced appetite for short term securities. The weighted average yield for 63 days was 2.4%, 91 days was 2.6%, 182 days was 4.7% and 364 days was at 7.6%
- The KSi Index ended the last trading day of the year down by 2.1%, underpinned by a drop in Oil Search (-5.0%), to end at 3,417.51 points while the KSi Home Index was up by 0.1%, supported by the share price increase in Credit Corporation (+0.4%), to end at 9,599.57 points

International

- Global equities are headed for their first annual decline after four years as crude oil retreated amid increase in American inventories. Slowdown in the Chinese economy fuelled the biggest retreat in raw material prices; similarly the Fed ended its zero interest-rate policy. The dollar gained against commodity currencies as Bloomberg commodity index dropped 25.0% in 2015 while global bonds returned 0.8%, according to the Bank of America Merrill Lynch Global Broad Market Index (*refer graph*)
- The Australian market failed to push investors back in the black despite the December rally, the ASX 200 closing the year off in the red likewise the ASX 50. The ASX 200 closed the year off down ~2.0% for the year with the Financials and Energy Sector providing much of the drag on the market
- Commodities closed the year off down, the largest and most significant move, coming from Oil Prices. Brent Crude fell ~36.0%, weighed down by increased inventories, slow demand growth, and OPEC's "No Limits" stance on production. Whilst Gold prices closed the year 10.0% lower for the year despite the volatility and uncertainty in the market.
- PGK/USD ended the week lower by 0.6% at 0.3325 reflecting the continued shortfall in liquidity experienced throughout the year. PGK/AUD ended lower as well by 1.3% to 0.4554 due to a pick-up in the AUD/USD which ended up by 0.8% at 0.7301

2015 Year movements



Sources: Financial Times, The Economist, Bloomberg, Reuters, Post Courier, The National, Sydney Morning Herald, BPNG, WSJ, Roubini Global Economics, The Age, PNGLoop

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