



BANK OF THAILAND NEWS

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The Repurchase Market Transactions and Interest Rates in July 2001

The Bank of Thailand (BOT) reported a decrease in transaction volume in the repurchase market in July 2001 compared to those in June 2001.

The BOT announced that the average volume of transactions that took place in the repurchase market in July 2001 was B46 billion per day, decreased from B53 billion in June 2001. This was due to the decline in demand for investment, especially during the first half-month, which some investors moved to invest in FX swap market for higher yield. In addition, the state banks had to prepare money for lending to small ventures and village funds according to the government's program. However, the market was tightened at the end of the first and third week of the month which commercial banks and financial institutions had to meet BOT's reserve requirements.

The 1-day and 7-day repurchase rates moved between 2.0 - 2.5 percent and 2.0625 - 2.5 percent, respectively during the first half-month. Later, the rates moved to 2.6025 - 2.8125 and 2.0625 - 2.5625 percent, respectively. Whereas the 14-day repurchase rate moved around 2.5 and 2.5625 percent. The 1-3 month repurchase rates adjusted downward during last week of the month, following the downward trend of 1 and 2 month T-bill yields which declined by 0.125 percent to 2.5 - 2.625 percent, respectively. The 3 month T-bill yield also decreased by 0.625 percent to 2.75 percent.

As for the 14-day repurchase market rate which is used as a policy instrument, the Monetary Policy Committee resolved on 12 July 2001 that the rate be maintained at 2.5 percent after being adjusted upward by 1 percent on 8 June 2001.

Bank of Thailand

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