



BANK OF THAILAND NEWS

Communications and Relations Office, Management Assistance Department
Tel. 0-2283-5016-7 FAX 0-2281-5648 www.bot.or.th

No. 67 / 2001

The Repurchase Market Transactions and Interest Rates in April 2001

The Bank of Thailand (BOT) reported an increase in transaction volume in the repurchase market in April 2001 compared to those in March 2001.

Mr. Oubaur Kruthanooch, BOT Deputy Spokesperson, announced that the average volume of transactions that took place in the repurchase market in April 2001 was B55 billion per day, increased from B41 billion in March 2001. Most of the transactions were 1-day to 14-day repurchases.

During the first half of April 2001, in addition to the liquidity needs to meet legal reserve requirements, financial institutions needed to prepare for customer's spending during the holidays of the Chakri Memorial Day and the Songkran Festival. Moreover, in April 2001, the Ministry of Finance placed a number of debt instruments for auction larger than those redeemed. For these reasons, the repurchase market was tightened, pushing up 1-day and 7-day interest rates to their peaks at 1.5625 and 1.5 percent, respectively.

However, toward the end of the month, after the holidays the liquidity in the financial system increased. When coupled with the government's payment to the educational lending fund, which prepared to lend for the school term starting sometime in May, the pressure on the interest rates was eased. The interest rates for 1-day and 7-day repurchases ranged between 0.9375 - 1.5625 and 1.0625 - 1.5 percent, respectively. The 14-day repurchase rate, which is used as a signal of monetary policy direction to the financial market, was stable at 1.50 percent following the Monetary Policy Board's decision on 19 April 2001.

The 1-month, 2-month, and 3-month interest rates were continuously stable from March 2001 at the rates of 1.875, 1.9375, and 2.0 percent, respectively.

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10 May 2001