



## **BANK OF THAILAND NEWS**

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### **The Repurchase Market Transactions and Interest Rates in June 2001**

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

The BOT announced that the average volume of transactions that took place in the repurchase market in June 2001 was B53 billion per day, increased from B42 billion in May 2001. This was because the first week of June was the corporate income tax payment period for year 2000. In addition, most financial institutions waited for the clear direction of interest rate policy. As a result, they maintained high liquidity and invested in repurchased market.

After the BOT increased the 14-day repurchase rate from 1.5 to 2.5 percent since 8 June 2001, the money market expected that the interest rate could be increased further in the near future. So they responded by starting to reduce the government bonds in their portfolios and, meanwhile, investing in the repurchased market instead, to reduce the interest rate risk. This was partly for the increase the in need of financial institutions to reserve liquidity for transferring to the Financial Institutions Development Funds (FIDF) for the first half-year due on 29 June 2001. Whereas, most of financial institutions that needed to borrow over the end of the month period turned to borrow from SWAP market instead in order to reduce the loaned-money base which will be included in calculating the money transferred to the FIDF for the second half-year due.

All interest rate categories in the repurchased market have increased after the 14-day repurchased rate has been adjusted upward from 1.5 to 2.5 percent per year. The interest rates for 1-day and 7-day repurchases range increased from 1.0 - 1.3125 and 1.25 - 1.5625 percent, respectively, in the first week of June 2001 to 2.0 - 2.5 and 2.0 - 2.5625 percent, respectively, at the end of the month. The 1-month, 2-month, and 3-month repurchases ranged higher from 1.8125, 1.875, and 1.9375 to 2.625, 2.75, and 2.8125 percent, respectively.

Bank of Thailand

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