

## RBI announces another 'Operation Twist' to raise money

Posted by freemexy - 09 Oct 2020 08:37

---

### RBI announces another 'Operation Twist' to raise money

Indian government bond yields dropped sharply in morning trade after the RBI announced the special open market operations worth 200 billion rupees (\$2.69 billion) to rein in the sharp rise in yields in recent sessions.

□□ The RBI simultaneously buys longer-end bonds from the market while selling shorter-dated treasury bills of the same quantum, similar to the Federal Reserve-style 'Operation Twist'. To get more news about [WikiFX](#), you can visit wikifx official website.

□□ The government has been a massive borrower from the domestic bond market to fund its coronavirus pandemic-related spending amid a fall in revenues due to weak demand in the economy.

□□ The RBI said it would buy 200 billion rupees of bonds while also selling an equivalent amount of treasury bills through two tranches in two special open market operations on Aug. 27 and Sept. 3.

[https://wzimg.fx696.com/guoji/2020-08-26/637340387931367428/ART637340387931367428\\_436582.png-wikifx\\_articlepic](https://wzimg.fx696.com/guoji/2020-08-26/637340387931367428/ART637340387931367428_436582.png-wikifx_articlepic)

Bond yields have risen in eight out of the last nine trading sessions, rising 22 bps in just the last two sessions to Monday. On Tuesday, the benchmark 10-year bond yield dropped as much as 9 bps after the special OMO announcement.

□□ "They (RBI) came because all other auctions could have failed," said Murthy Nagarajan, head of fixed income at Tata Asset Management.

□□ "There is a disconnect. RBI intervention was expected when 10-year was at 5.90%-6.0%, they did not come in, which led to this problem. RBI will need to do two more 'Operation Twist' for the market to settle down," he added.

□□ Bond market sentiment had turned bearish after the RBI kept rates on hold on August 6, with future rate cut bets further dampened after the hawkish minutes of the meeting released last week.

□□ Traders expect the 10-year bond yield to move in a 6.05% to 6.30% range during the week.

□□ The partially convertible rupee was trading at 74.38 per dollar compared with its close of 74.31 on Monday.

=====