

## RBI to conduct Rs 10k-cr OMO on Wednesday

The bond market is expected to be bullish on Monday, as the Reserve Bank of India ([RBI](#)) announced — after market hours on Friday — an open-market operation ([OMO](#)) next Wednesday to purchase [government bonds](#) of up to Rs 10,000 crore. This will be done through a multi-security auction using the multiple-price method. The move is expected to ease liquidity in the market.

OMOs are market operations conducted by RBI by selling or purchasing government securities in order to adjust the rupee liquidity conditions in the market.

The yield on the 10-year benchmark 8.83 per cent bond ended at 8.63 per cent on Friday, compared to the previous close of 8.62 per cent. Yields started softening earlier this month on hopes of a drop in [inflation](#).

After touching a record high, Consumer Price Index-based inflation had cooled to a three-month low of 9.87 per cent in December 2013. Wholesale Price Index, declined to a five-month low in December 2013 at 6.16 per cent, compared to 7.52 per cent the previous month.

Besides, RBI also deferred the bond auction to be held on Friday for a notified amount of Rs 15,000 crore due to the comfortable cash position of the government.

The Street expects status quo on key policy rates in the third-quarter review of the monetary policy to be announced later this month, as inflation has softened. This will result in yields falling further. These may even touch 8.50 per cent.

However, according to traders, RBI is in the process of improving the sentiment in the bond market for the debt-switch programme of Rs 50,000 crore. Under this, the government will buy short-dated debt maturing in financial years 2014-15, 2015-16 and 2016-17 and sell longer-dated bonds in the market.