

Yield Trends

36. RBI introduced 14 day auction Treasury Bills in June 1997. These Bills are auctioned on a weekly basis. The implicit cut off yield for them remained constant at 4.95 per cent during June 7, 1997 to November 29, 1997. The upward movement in the price of loanable funds caused by the package of measures announced by the RBI to protect the Rupee from speculative pressures was reflected in the form of higher yield on these Bills at 7.04 per cent from December 6, 1997 to January 17, 1998 and at 7.30 per cent since January 31, 1998.

37. The implicit cut-off yield for 91 day Treasury Bills was 7.21 per cent in the first auction held in 1997-98. This was 75 basis points lower than that in the last auction of the previous financial year. The implicit yield fluctuated in the range of 5.72 per cent to 7.00 per cent in the auctions held during April to November. The subsequent period witnessed an upward movement to 7.21 per cent during December 6 to January 17 and again to 7.33 per cent from January 24 in 1997-98 which reflected the RBI measures referred to above.

38. The year 1997-98 opened with an implicit cut-off yield of 9.42 per cent for 364 day Treasury Bills, which was lower by 68 basis points compared to the yield in the auction held at the close of the previous financial year. Signalling the beginning of a low interest rate regime, the implicit yield for these Bills declined to 8.98 per cent on April 25, and further down to 8.33 per cent by August 16, 1997. Though the downward trend was reversed on September 12 when the yield rose to 8.47 per cent, it declined to 7.98 per cent by October 24 and remained unchanged since then in 1997-98 (Table 4.5).

TABLE 4.4		
Implicit yield of 91-Day T-Bills at cut off price		
(Per cent per annum)		
Month	1996-97	1997-98
April	12.97	7.21
	12.84	6.46
	12.63	5.72
	12.46	6.22
May	12.41	6.22
	12.37	6.22
	12.37	6.75
	12.37	6.75
	—	6.75
June	12.41	6.75
	12.41	7.00
	12.41	7.00
	12.41	7.00
July	12.41	6.96
	11.86	6.83
	9.88	6.75
	9.21	6.71
	9.46	—
August	9.04	6.67
	8.46	6.63
	9.46	6.59
	9.96	6.59
	9.96	6.59
September	9.96	6.59
	10.00	6.88
	10.13	6.88
	10.17	6.88
October	10.17	6.88
	10.09	6.88
	10.05	6.88
	8.83	6.22
November	6.92	6.22
	7.21	6.22
	7.21	6.22
	8.16	6.22
	8.16	6.22
December	8.04	7.21
	8.16	7.21
	8.16	7.21
	8.16	7.21
January	8.16	7.21
	8.16	7.21
	8.12	7.21
	8.00	7.33
	7.50	7.33
February	7.75	7.33
	7.96	7.33
	7.96	7.33
March	7.96	7.33
	7.75	7.33
	7.96	7.33
	7.96	7.33

Source : RBI

TABLE 4.5**Implicit yield of 364-Day T-Bills at cut-off price****(Per cent per annum)**

Month	1996-97	1997-98
April	13.12	9.42
	12.9	8.98
	12.99	-
May	12.94	8.98
	12.94	8.98
June	12.94	8.98
	12.97	8.98
July	12.87	8.83
	12.61	8.53
August	12.61	8.42
	12.61	8.33
	12.61	8.33
September	12.61	8.47
	12.61	8.47
October	12.61	8.47
	12.10	7.98
November	10.10	7.98
	10.40	7.98
December	10.33	7.98
	10.33	7.98
January	10.33	7.98
	10.10	—
February	10.10	—
	10.10	7.98
March	10.10	—
	10.10	7.98

Source : RBI