Brickwork Ratings expects more such RBI’s special OMOs may follow to brace yields

**Brickwork Ratings (BWR), 20 December 2019, Mumbai:** In a bid to contain the rising yields on the longer end of the yield curve, the Reserve Bank of India has strategically arranged this debt-to-money market swap wherein they suck out the government bonds of long duration (10 years) and pump in short duration (about 6 months) worth INR 100 billion through special Open Market Operations (OMO) to improve both liquidity and bond yields.

The agency also expects that more such swaps may follow as it might prevent steepening of the yield curve (which could be on account of expectations of higher fiscal deficit) even as it improves liquidity for the long-term investors and provide flexibility to Government Of India in raising long term resources for managing the fiscal deficit.

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