SBI RESEARCH

More changes in RBI Liquidity Management Framework likely…Daily VRR the first step…Such changes and frontloading next round of moves are smart and pragmatic by RBI…Delicate mix of temporary and permanent liquidity injection / withdrawal remains a work in progress

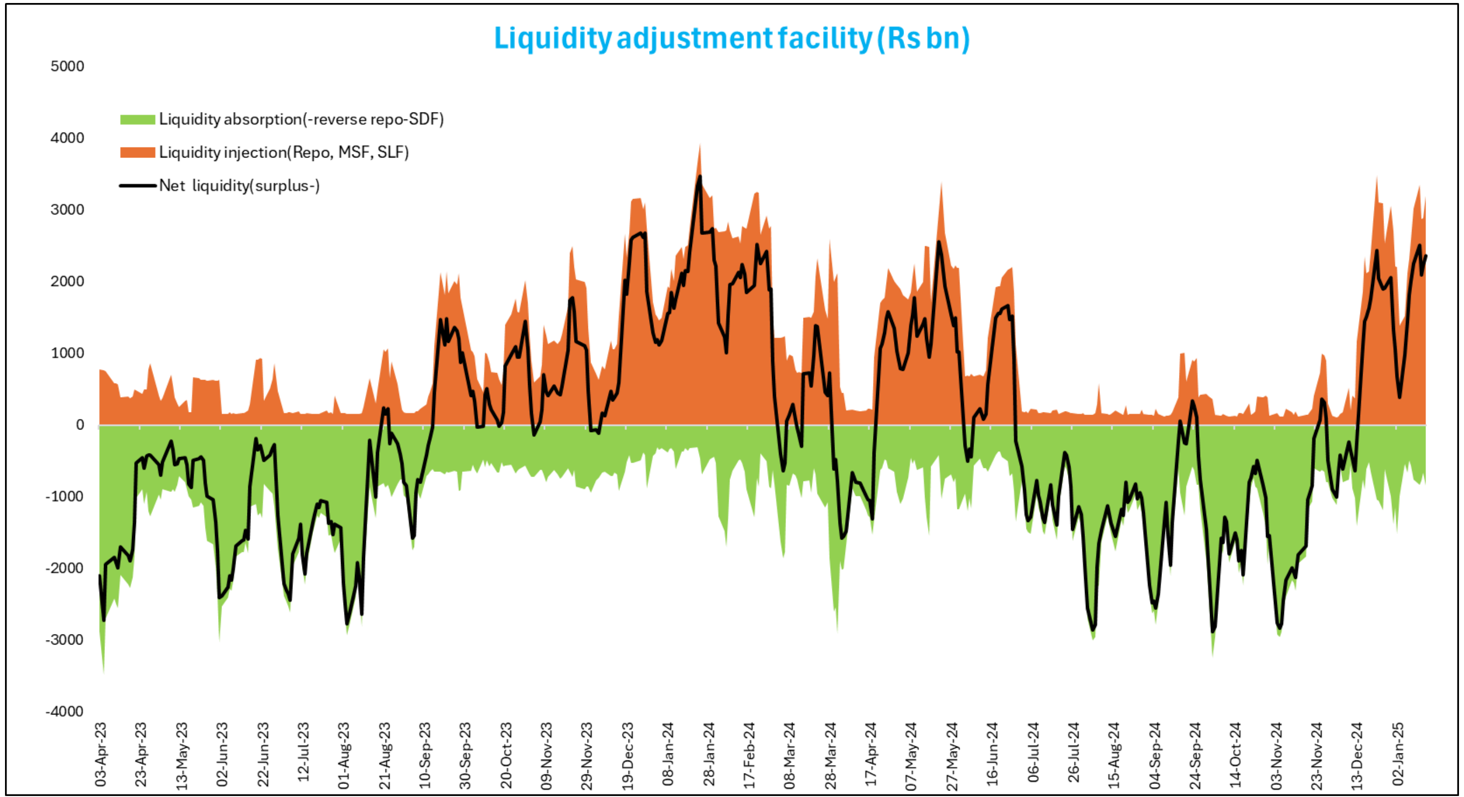
Issue # 26, FY25 20-January-2025

Executive Summary…..

- As a corollary to intervention in the fx markets juxtaposed with volatile movements in Government cash balances, liquidity has been shrinking in the banking system and alarmingly blowing past comfort zone
- This persistent liquidity conundrum, along with anticipation on rally in DXY has prompted the regulator to revert to daily dynamic VRR (variable rate repo) to effectively manage the liquidity along the revised LMF (Liquidity Management Framework) in place from February 2020
- **Given that such daily VRR transactions is akin to frictional / transient liquidity injections (repo transactions should ideally compensate for changes in Government cash balances) but is somehow also substituting for permanent / durable liquidity shortfall (shortfalls arising out of currency leakage and liquidity impact of RBI forex intervention)**
- **To negate such, in a smart move RBI has started to sell in Spot and NDF forwards and then doing short term buy sell swaps to replace the maturing forward sale position and also to counter the durable liquidity drain from spot intervention. We also think RBI may announce longer term (2-3 years) buy sell swaps to shore up reserves and release liquidity**
- In principle, liquidity management per se still has some operational challenges like improving the market microstructure, a proper indicator of liquidity tightness in the system and most importantly maintaining a delicate balance between effective mix of durable and transient liquidity injection / withdrawal
    - **Amend Liquidity Management Framework to replace Weighted Average Call Rate /WACR with Secured Overnight Rupee Rate…** akin to the **Secured Overnight Funding Rate** (SOFR) replacing LIBOR and being better reflective of prevailing cost of funds being pegged to effective Fed Funds rate
    - Use the spread between CD and SORR/T-bill as an indicator of liquidity tightness / adequacy
    - Neutralise the volatile movements in Government cash balances through a carefully crafted dynamic liquidity management policy
    - Inclusion of a certain portion of CRR /countercyclical Liquidity Buffer towards HQLA as a countercyclical measure to help improve liquidity can be considered
    - Need to continuously develop the term money market to provide sufficient liquidity beyond the overnight time slot

System Liquidity Position

- The system liquidity situation remained tight and turned to injection mode since 16 Dec'2024, due to many reasons like tax outflows, GST payment, forex market intervention and volatility in capital flows. Further with the implementation of Just in Time (JIT), the system liquidity has been impacted through movements in Government cash balances
- System liquidity moved from a surplus of Rs 1.35 lakh crore crore in November to a deficit of Rs 0.65 lakh crore in December, further to Rs 1.58 lakh crore deficit in January (till 16 Jan). **If we look at the injection-absorption ratio, which has increased to ~4 X, indicating persistent borrowings from the LAF window**



Steps taken by RBI to Manage Liquidity: RBI announced the Daily VRR window lately

- To ease the liquidity pressure, RBI has injected Rs 11.5 lakh crore to the banking system via variable rate repo (VRR) operations of 1-7 days maturity during December 16, 2024, to January 15, 2025. However, the liquidity pressure did not ease
- RBI announced to conduct daily variable Rate Repo (VRR) auctions with effective from 16 Jan 2025, with prior notified amount
- Post notification, RBI has notified Rs 50,000 crore on 16 Jan'25 but bids received/allotted of Rs 30,706 crore at 61.4%. On 17th Jan, RBI auctioned Rs 50,000 crore again (Tenor: 3 days) and allotted Rs 33,467 crore (66.9%)
- During the last 1-month, RBI has announced Rs 18.2 lakh crore but allotted only Rs 12.13 lakh crore, which is 70% only. This could be the result of friction between RBI and bidding banks yield expectations

Liquidity Support since 16 December 2024 (in crore)						
Start Date	Tenor	Notified Amount	Avg rate	Bids received	Amount allotted (in ` crore)	Bids % Allotted Amount
16-12-2024	4	100000	6.54	75775	75775	100
17-12-2024	3	50000	6.57	83570	50005	60
17-12-2024	1	250000	6.56	23188	23188	100
20-12-2024	7	150000	6.57	200795	150004	75
23-12-2024	4	75000	6.52	36275	36275	100
24-12-2024	3	75000	6.52	37953	37953	100
27-12-2024	14	150000	6.53	128323	128323	100
27-12-2024	4	125000	6.53	85247	85247	100
30-12-2024	4	100000	6.53	83238	83238	100
31-12-2024	1	50000	6.54	58521	50004	85
07-01-2025	3	50000	6.57	92670	50007	54
09-01-2025	1	50000	6.66	406959	50004	12
10-01-2025	14	225000	6.55	277743	225006	81
10-01-2025	4	50000	6.54	74480	50005	67
13-01-2025	4	50000	6.53	86155	50008	58
15-01-2025	5	75000	6.51	3980	3980	100
16-01-2025	1	50000	6.51	30760	30760	100
17-01-2025	3	50000	6.52	33467	33467	100
Total		**1725000**	**-**	**1819099**	**1213249**	**67**

Why Daily VRR was reintroduced

- RBI has been consistent with its primary liquidity management, adjusting the size according to the market requirement. Quite often such operations are left undersubscribed though the system deficit was higher than the auction amount. This is due to the uncertainty around flows over a fortnight and expectation of fine-tuning operations from RBI
- As both these operations tend to clear around similar rates, banks prefer to leave some deficit to be covered in fine-tuning operations, thus leaving the main operation often under subscribed
- Fine-tuning operations are ad hoc and are often announced intra-day in response to hardening of overnight rates. RBI tended to prefer tenors up to 7 days in fine-tuning ops. However, the overnight tenor was only used sporadically and was not the preferred tenor
- Though fine-tuning ops have been able to address the liquidity deficit, quite often the tenors do not suit the market requirement. Market has been demanding that RBI shifts their VRR auctions to overnight as most of the money market volumes are concentrated in the overnight segment. Moreover, Primary Dealers who fund most of their holding using the repo route, are only permitted in overnight VRR auctions
- In this context the announcement of Overnight VRR auctions to be conducted daily is a welcome move by RBI. This will help anchor the overnight rates better around the Repo rate and reduce volatility. RBI is also in a better position to assess the daily liquidity needs as a significant component of the liquidity fluctuation emanates from their forex operations, which the market may not be immediately able to gauge

The announcement of daily VRRR is pragmatic and has the market alignment…..

- This move, in sync with other credible measures initiated by the regulator like loosening the strings on CRR, will provide assurance of continuous support from RBI until more durable measures are taken. This might curb the excessive volatility in overnight rates and will provide more certainty to the market participants

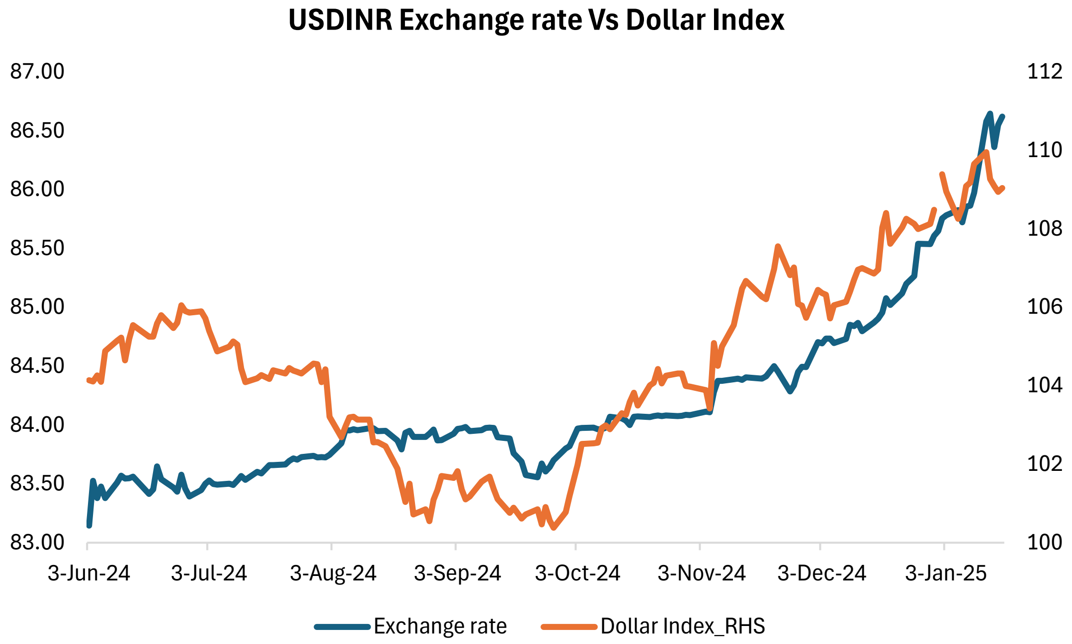
- This helps the PDs to better manage their borrowing and become less reliant on costlier source of funding (viz Call money, Market Repo). However, as the repayment of VRR is to be made before the next one is to be availed, we understand that this could pose some challenges to their operations (initially), especially auctions settlements, for which PDs may need to find alternate resources

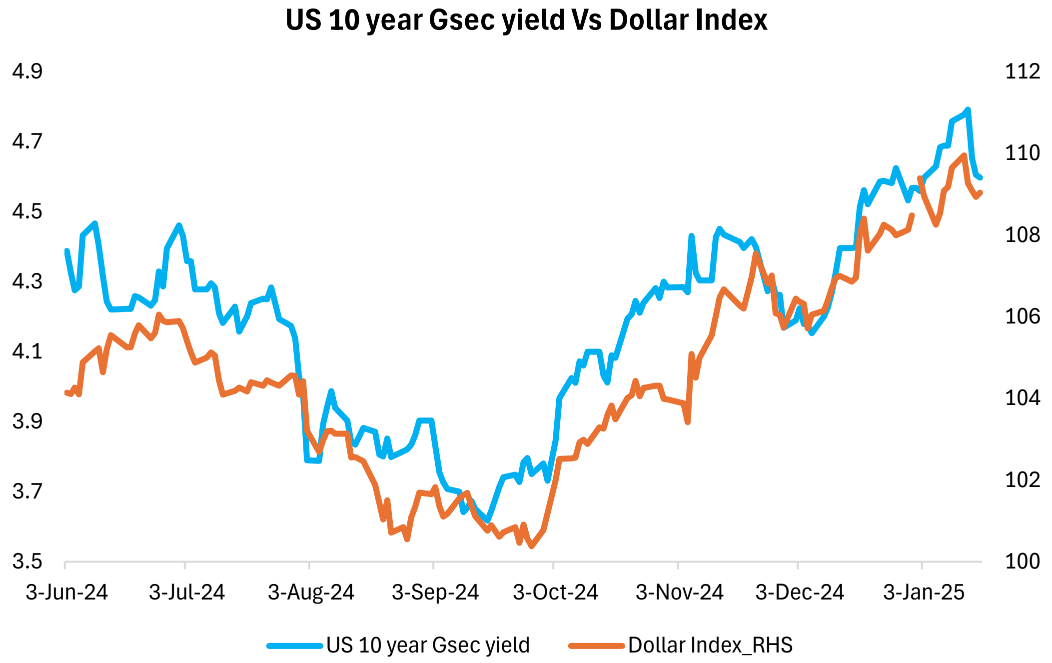
- RBI could consider netting of VRR repayments with fresh drawls, thereby freeing up securities/funds for such settlements

- **Market is sensing that the new RBI regime is responding positively to the long-standing demands regarding liquidity and is hopeful of more measures that addresses both system liquidity and durable liquidity. This positive sentiment has helped the short end of the G-sec curve to move lower in response to the announcement**

Dollar Index might have some run off left…..However like in 2016-2017, a strong currency bounce back for rupee is clearly apparent once the dust settles down….

- Dollar Index may have run off left due to a confluence of factors, most notably the reversal of flows to US and the guardianship of 'Big Tech' that have endorsed president-elect (to be sworn in on January 20) Donald Trump's Make America Great Again / MAGA rhetoric
- DXY retracing its September'2022 highs can put further pressure on EM currencies (Euro-Dollar parity is already being weaved in forward calculations at Big banks….
- Benchmark US yields remain suspended in animated action.. If inflation vaults due to impact of tariff on import prices, hardening of yields can be seen further…Jobs markets do not seem to be helping either with Tariff-Tax spiral in the offing
- **Currencies thus broadly appear to 'continue' to suffer from 'collateral damage' from a masquerading US economy / DXY**





Brent can imbibe volatility due to Russia factor…Indian basket at a premium!

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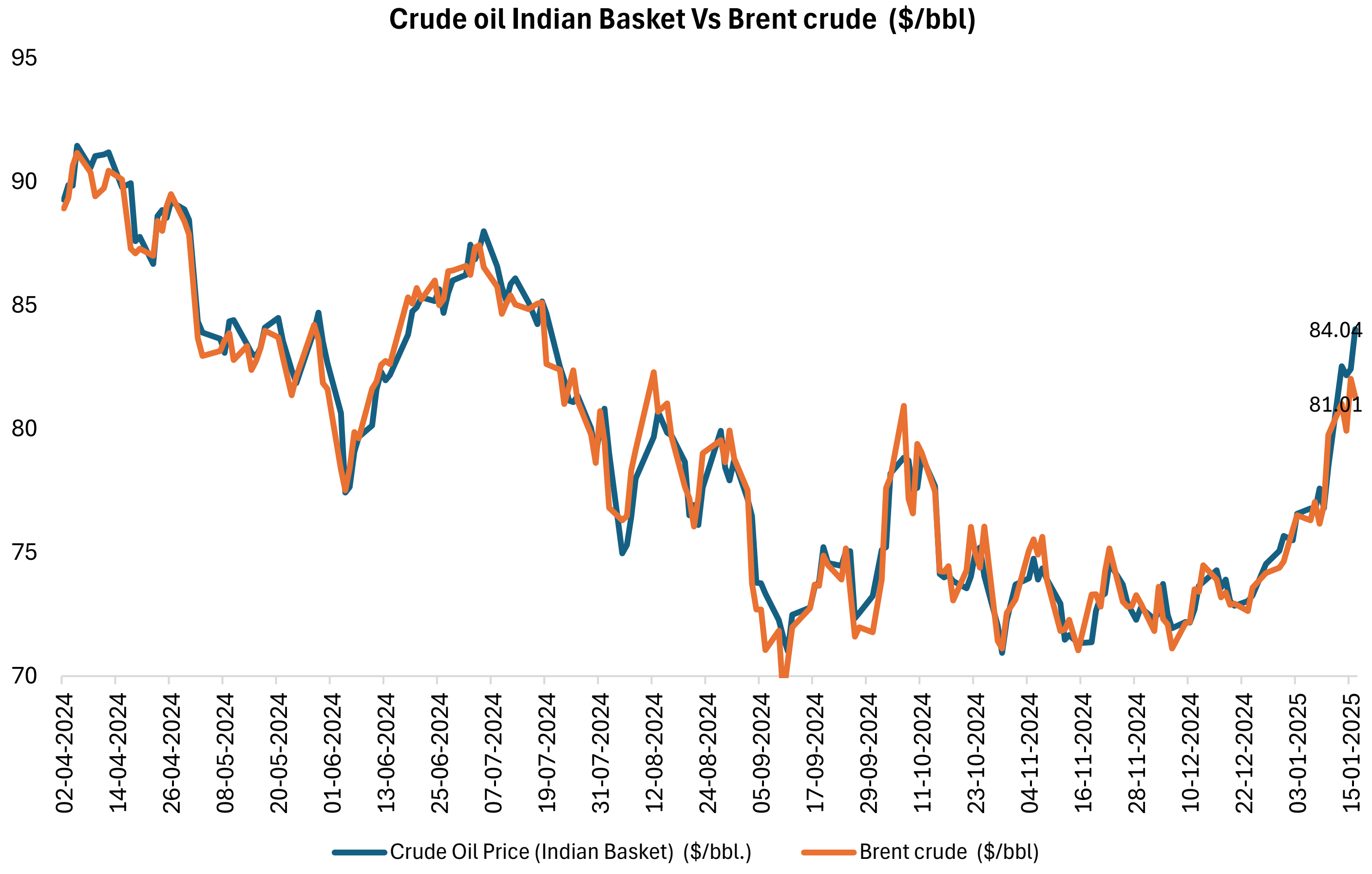
- Brent is on a roll, with hardening anti-Russia measures being penciled under new Trump regime anchoring its up move

- Indian crude basket (weighted average of sour Oman and Dubai average with sweet Brent prices on FOB basis) is already hovering around $84/bbl and with crude advancing ~8% in 2025 (YTD), the financing of imports could have another frontier

Quantity and value of crude oil imports (India)			
Year	Quantity (MMT)	Value (Billion US$)	Crude Oil Price (Indian Basket) ($/bbl.)
2017-18	220	88	56.4
2018-19	226	112	69.9
2019-20	227	101	60.5
2020-21	196	62	44.8
2021-22	212	122	79.2
2022-23	233	162	93.2
2023-24	233	139	82.6
2024-25 till Nov	159	92	79.2
Source: PPAC, SBI Research			



India’s Liquidity Framework: A Time Line (From May 2011 to Feb 2020)

The New Operating Framework of Monetary Policy (May 2011)	Revised Liquidity Management Framework (September 2014)	Modified Liquidity Framework (April 2016)
▪ Repo Rate - Single policy rate ▪ Weighted average overnight call money rate (WACR) is the operating target. ▪ Corridor of +/- 100 bps around the Repo Rate. ▪ 100 bps above the repo rate for the Marginal ▪ Standing Facility (MSF) and 100 bps below the repo rate for the reverse repo rate. ▪ Full accommodation of liquidity demand at the fixed repo rate, albeit with an indicative comfort zone of +/- 1% of net demand and time liabilities (NDTL) of the banking system. ▪ Transmission of the changes in Repo Rate through the WACR to the term structure of interest rates	▪ Access to assured liquidity of about 1% of NDTL on an average ▪ Bank-wise overnight fixed rate repos of 0.25% of NDTL, and the balance through 14-day variable rate term repos. ▪ More frequent auctions of 14-day term repos during a fortnight (every Tuesday and Friday of a week). ▪ Introduction of variable rate fine-tuning repo/reverse repo auctions	▪ The corridor around the Repo rate narrowed from +/- 100 bps to +/- 50 bps ▪ Commitment to progressively lower the ex-ante system level liquidity deficit to a position closer to neutrality in the medium run ▪ Reducing the minimum daily maintenance of the CRR from 95% of the requirement to 90%

India's Liquidity Framework: Current Status (Feb 2020 onwards)..The weighted average call rate / WACR is now the target rate…

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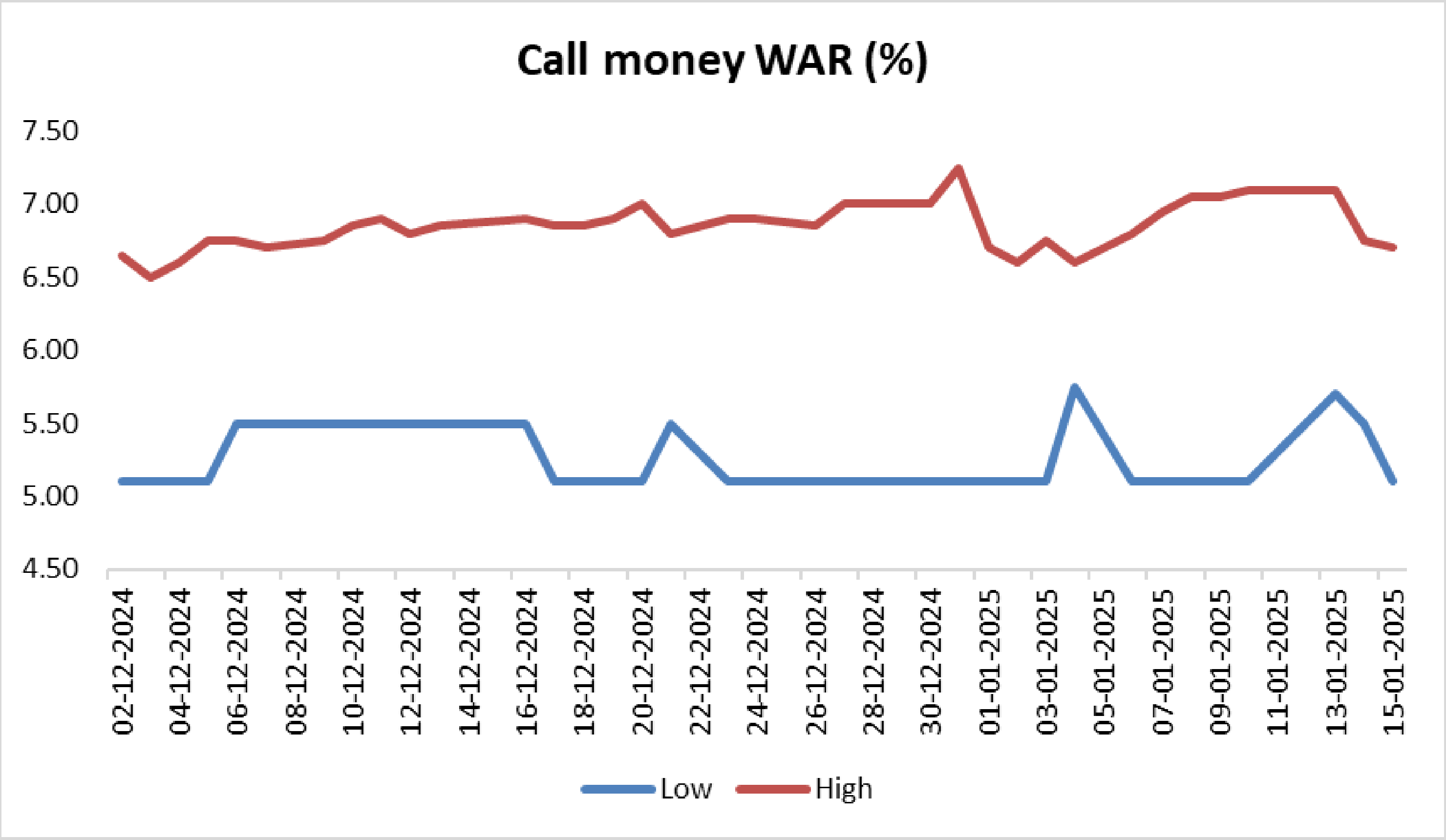
Instrument	Quantum	Periodicity/Timing
A. Instruments under LAF framework to manage short-term/transient liquidity		
14-day variable-rate repo/reverse repo auction (Main operation)	Auction amount will be decided by RBI and a single auction	On reporting Friday (2.30 PM – 3.00 PM)
Variable Rate Term Repo/Reverse Repo auction (Tenor: overnight and up to 13 days) (Fine-tuning operations)	Auction amount will be decided by RBI	Discretionary
Fixed Rate Reverse Repo (FRRR) **(Discontinued from 08 Apr'22)**	No restriction on amount	Daily (Including Saturdays, Sundays and holidays) between 5.30 PM and 11.59 PM
MSF	Individual banks can draw funds up to Excess SLR + 2 per cent below SLR.	
FX Swap	Amount will be decided by RBI	Discretionary
SDF **(Replaced FRRR in 08 Apr'22)**	Any amount	Overnight facility will be available between 17:30 hrs to 23:59 hrs)
Variable Rate Repo (VRR) **(New: Started from 16 Jan'25)**	Auction amount will be decided by RBI	Daily (between 10:00 AM and 10:30 AM)
B. Instruments to manage durable liquidity		
Long Term Variable Rate Repo (LTR) Tenor: beyond 14 days	Auction amount will be decided by RBI	Discretionary
Long Term Variable Rate Reverse Repo (LTRR) Tenor: beyond 14 days		
FX Swap Auctions	Auction amount will be decided by RBI	Discretionary
OMOs		

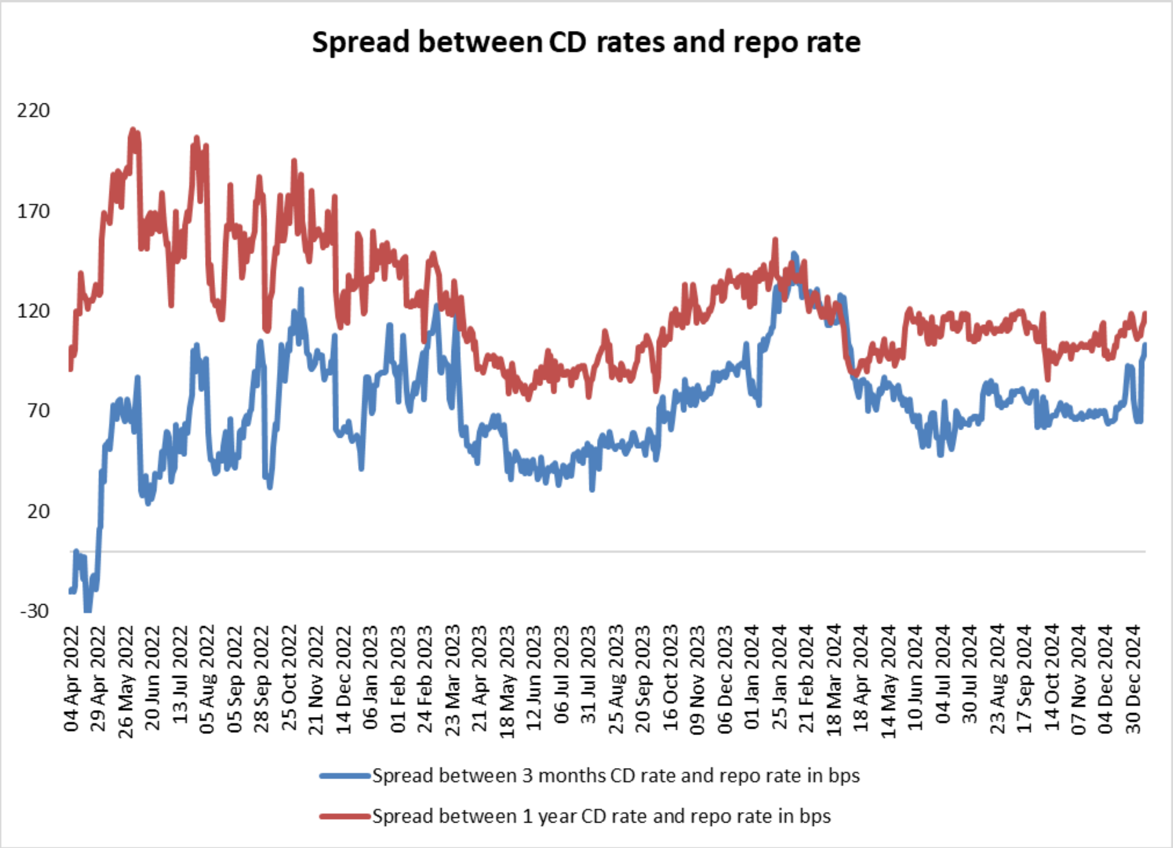
…Pursuing a WACR aligned Target Rate may not be reflective of the changed realities….

- The WACR regime is not reflective of the changed realities as more players have shifted to TREPS / CBLO, overtaking Market REPO transactions too… this regime shift needs to be aligned with Monetary policy / Liquidity management toolkit of the regulator towards identifying a true target rate



…. The WACR might be an ineffective representation of target rate

- RBI’s decision to conduct daily variable repo is laudable but we still believe that the call rate is **an ineffective representation of target rate** because of various reasons
- For example, it is often seen that while WACR remains within the RBI corridor, due to restricted participation (only SCBs, Co-operative banks and Standalone PDs), other money market rates can vary wildly. Also, given the small size of call money market compared to TREPS or Market Repo or even CD/ CP markets, WACR is unrepresentative of actual system liquidity
- **Thus, we believe a risk spread say between repo rates and CD rates could be also used to understand the tightness in liquidity and clearly distinguish between banking liquidity and market liquidity…this needs to be calibrated with systemic reading of the C/D ratio attributes**



…Also WACR is Liquidity Agnostic

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- It is rather strange (or, not!) thus that WACR is not much affected by liquidity situation. During Jul-Nov’24, liquidity surplus as given by average net LAF deficit was in the range of Rs 1000-1500 billion, but the WACR was around 6.52% only
- Even when the liquidity deficit was as high as Rs 1500 billion, the WACR for was only 6.64%
- **Presumably, WACR has been rangebound, within rigid cap and floor, at odds with the goal of liquidity management**

Average Net LAF and WACR		
	Average Net LAF(+ve surplus)_Rs bn	Average WACR(%)
Apr-24	244	6.56
May-24	-1397	6.61
Jun-24	-593	6.60
Jul-24	1039	6.52
Aug-24	1475	6.52
Sep-24	1100	6.55
Oct-24	1476	6.50
Nov-24	1354	6.53
Dec-24	-646	6.65
Jan-25	-1584	6.64

….Call money market share has declined significantly

- Over the years, the share of call money has declined significantly (currently around 2% compared to 69% share of TREP market and remaining 29% of market Repo) with market participants, including banks, increasingly relying on collateralized overnight segments, especially TREP, for their overnight liquidity requirements

Overnight Market % share					
Month	Call money	CBLO/Tri party Repo	Market Repo	Corporate Bond	Overnight Total
Jan-24	2.4	69.7	27.9	0.0	100.0
Feb-24	2.2	66.3	31.4	0.1	100.0
Mar-24	2.3	65.1	32.4	0.2	100.0
Apr-24	2.2	65.5	32.1	0.2	100.0
May-24	2.4	64.8	32.6	0.2	100.0
Jun-24	2.2	68.2	29.4	0.2	100.0
Jul-24	2.0	69.0	28.9	0.2	100.0
Aug-24	2.0	69.2	28.5	0.2	100.0
Sep-24	2.0	69.2	28.6	0.2	100.0
Oct-24	1.8	70.9	27.1	0.2	100.0
Nov-24	1.6	73.0	25.2	0.2	100.0
Dec-24	2.1	71.7	25.9	0.3	100.0
Jan-25	1.8	69.1	28.7	0.4	100.0

Source: RBI, SBI Research, till 15th Jan 25

Comparative Money Market Volumes and Rates

	Gross Volumes (₹ Cr)		Daily Average Volumes (₹ Cr)		Std Dev		Minimum Rate (%)		Maximum Rate (%)		Market Share (%)	
	Nov-24	Oct-24	Nov-24	Oct-24	Nov-24	Oct-24	Nov-24	Oct-24	Nov-24	Oct-24	Nov-24	Oct-24
CALL	1,78,805	2,29,040	9,934	10,411	0.15	0.1	6.31	6.42	6.75	6.75	1.69	1.92
REPO	26,85,684	32,84,997	1,49,205	1,49,318	0.19	0.13	6.17	6.28	6.67	6.67	25.43	27.49
TREP	76,97,518	84,37,609	4,27,640	3,83,528	0.23	0.16	6.08	6.17	6.71	6.69	72.88	70.6

Source: CCIL, SBI Research

TREPS has evolved into a better indicator of short-term liquidity requirement

- TREPS has cornered most of the trading activity, buoyed by increased participation from a host of players
- **TREPS AVERAGE VALUE HAS RISEN ~3 TIMES SINCE FY'18 (~6 TIMES SINCE FY'10)**

MONEY MARKET VOLUMES

Period	Uncollateralised Call, Notice and Term Money Market		Market Repo		CBLO/TREP	
	Value	Daily Average Value	Value	Daily Average Value	Value	Daily Average Value
2009-10	2522703	8914	6072829	21308	15541378	54531
2010-11	2945901	10020	4099284	13943	12259745	41700
2011-12	4084692	14085	3755892	12907	11155428	38335
2012-13	4814032	16658	5402765	18695	12028040	41620
2013-14	4507273	15383	7228127	24585	17526192	59613
2014-15	3740742	12989	7875244	27440	16764597	58413
2015-16	3799481	13717	8621665	31125	17833528	64381
2016-17	4242821	15714	11835001	43833	22952833	85010
2017-18	3871780	14556	12780289	48046	28330758	106507
2018-19	5002364	18596	13566142	50432	32592056	121160
2019-20	4173933	15633	14799713	55430	40142194	150345
2020-21	2814991	10426	22770547	84335	56850956	210559
2021-22	2280869	8575	25525641	95961	82263925	309263
2022-23	3132545	11602	34048195	126104	94128105	348623
2023-24	2831134	10603	38350154	143634	80281951	300681
Apr-24	234480	11724	3252009	162600	6598519	329926
May-24	254228	11556	3344636	152029	6599952	299998
Jun-24	244400	11109	3197994	145363	7320931	332770
Jul-24	253445	10560	3570363	148765	8464077	352670
Aug-24	234668	9778	3207792	133658	7684775	320199
Sep-24	216018	10287	3009198	143295	7243965	344951
Oct-24	231532	9647	3285379	136891	8463975	352666
Nov-24	181272	9064	2686282	134314	7741434	387072
2024-25 (Upto November 2024)	1850043	10452	25553653	144371	60117627	339648

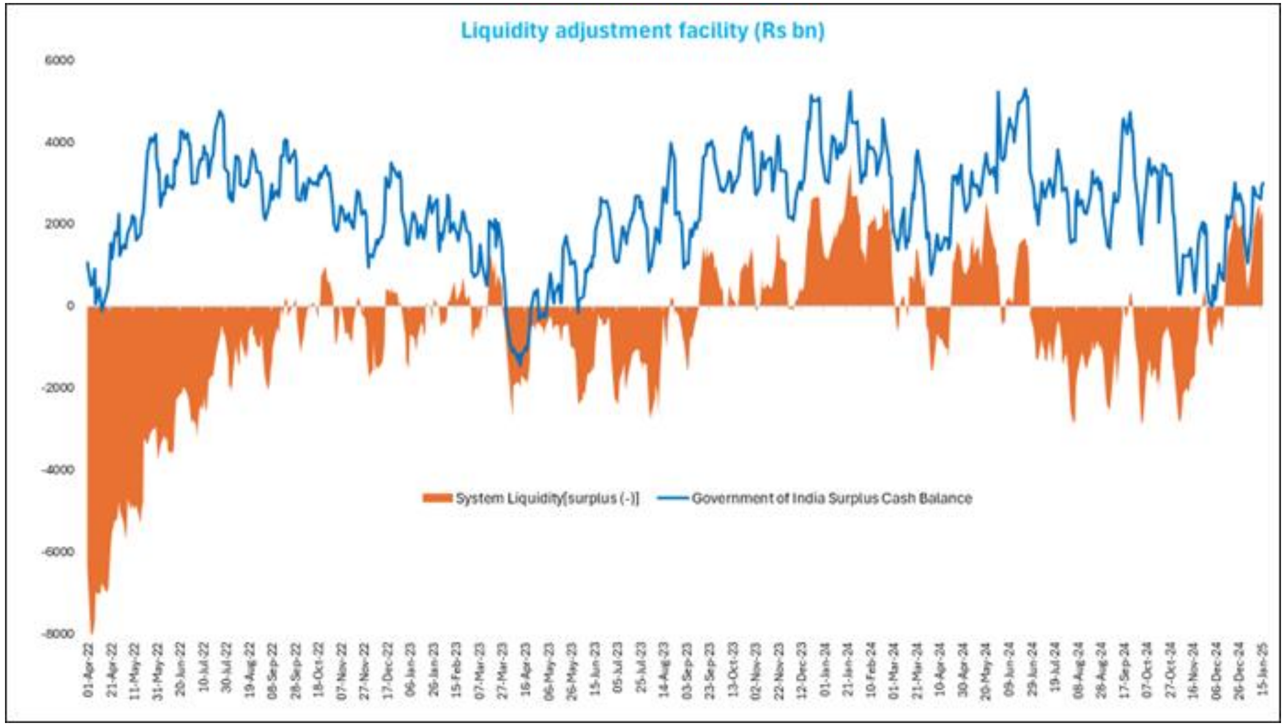
TREP TRADING

Settlement Period	Total		Daily Average	
	Trades	Value	Trades	Value
2018-19*	88670	14451590	821	133811
2019-20	218370	40142194	818	150345
2020-21	242715	56850956	899	210559
2021-22	291979	82263925	1098	309263
2022-23	293947	94128105	1089	348623
2023-24	234937	80281951	880	300681
Apr-24	18902	6598519	945	329926
May-24	19232	6599952	874	299998
Jun-24	20579	7320931	935	332770
Jul-24	23295	8464077	971	352670
Aug-24	21802	7684775	908	320199
Sep-24	20581	7243965	980	344951
Oct-24	23138	8463975	964	352666
Nov-24	20119	7741434	1006	387072
2024-25 (Upto November 2024)	167648	60117627	947	339648

Source: CCIL, SBI Research

Temporary Liquidity in lieu of GoI cash balance: Visibility along a glide path would strengthen the ecosystem

- GoI Cash Balances build-up are agnostic to systemic liquidity, mostly inversely related to liquidity…. Conversely, a large cash balance ensures the government having flexibility about optimal pricing / yields of raising resources through market borrowings… WMA recourse come handy for GoI in times of duress though in recent times there are fewer instances of Govt taking this recourse…….GoI Cash Balances build-up is Rs 1.2 lakh cr till 16 Jan 24
- Given Government cash balances (Overall/Total with RBI or Surplus reckoned for auction at RBI's end) are a big driver of liquidity and remain largely invisible/unpredictable (as against other attributes like Taxes/GST, credits, Fx intervention and capital flows to some extent where market participants broadly form a view), **the regulator can tweak its communication with respect to Government cash balance trajectory, offering visibility / a glide path of quarterly liquidity condition (akin to Fed Dot Plot) taking in estimation of market participants on likely course charted by individual drivers**



Permanent Liquidity: Forex Reserve Intervention & Currency in Circulation

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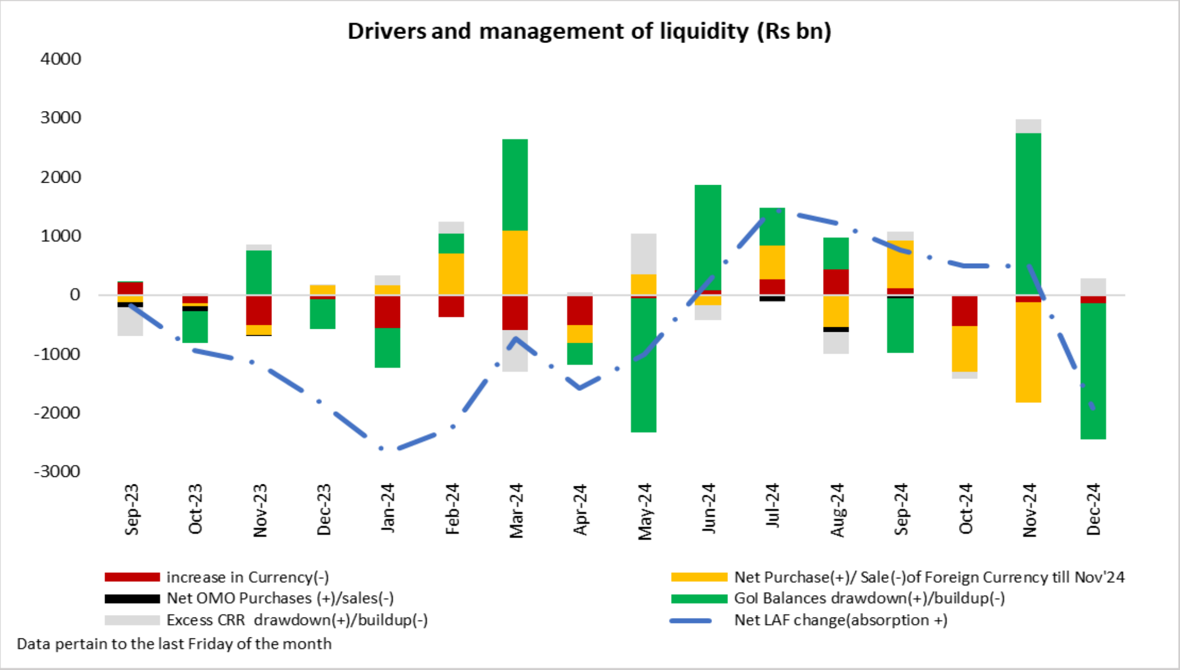
- Currency in circulation has increased by another Rs 78000 cr in FY25 (till Jan 10, 2025)…. Total CIC is now around ~Rs 35.9 lakh cr (~11% of GDP)
- Net sale of Forex is Rs 1.7 lakh cr till Nov'24 and we believe the same would have comfortably passed Rs 1.7 lakh cr (incrementally) at least as on date given the decelerating rupee

Liquidity Estimate by Mar'25 (Rs billion)	
Autonomous factors	
Currency in circulation withdrawal	-1700
GoI Cash Balances drawdown	1200
Forex intervention by RBI	-2000
Policy driven (Discretionary) factors	
Open Market Operations by RBI	-240
Required CRR at 4% (drawdown)	50
Core liquidity change	-3,890
Memo items:	
System liquidity Net Absorption (+) / Injection (-) as at end-period	-346
Net durable liquidity [surplus (+)/deficit (-)] as at end-period	-1,546
Source: SBI Research	



Liquidity Management Options before RBI

Option 1….RBI has indicated of frontloading the introduction of SORR…Amend Liquidity Management Framework to replace WACR with SORR & introduce new indicator to understand liquidity tightness / adequacy

- RBI has recently introduced Secured Overnight Rupee Rate / SORR as a new benchmark to replace MIBOR. **SORR rate shall be derived from transactions in TREPS and basket repo in CROMS. These two segments together constitute more than 90% of the overnight money market volumes**

- SORR therefore is a true indicator of the overnight market rate and the liquidity situation. We believe, once SORR is introduced, RBI will frontload the LMF to replace WACR with SORR as the operating target

- As an example, Internationally the Secured Overnight Funding Rate (SOFR) has replaced LIBOR and is better reflective of prevailing cost of funds, being pegged to effective Fed Funds rate

- **Spread between CD and Repo/T-bill rates widen in times of deficit liquidity. The spread is also influenced by banks demand for funds to support credit growth. Going forward, the share of market borrowing like CDs in Banks liabilities is likely to change with demand for credit and banking liquidity. While RBI measures focusing on the overnight rates could yield its results with a more stable overnight rate, the spread between CD and SORR/T-bill will assume a greater role as an indicator of term liquidity/funding position**

Option 2: Using daily VRR to neutralize the movements in Government cash balances through a meticulously policy decision….

- RBI reckons the surplus cash balance of Government of India for auction while conducting VRR auctions. The amount reckoned is mentioned in the daily Money Market Operations report. Until recently the auctioned amount was adequate to cover the VRR amount. On 10th January RBI conducted two VRR auctions amounting to Rs. 2.75 lakh crore (14-day Rs. 2,25,000 crore and 4-day Rs. 50,000 crore) which were fully subscribed

- However, the amount of GoI surplus cash reckoned for auction as mentioned on 10th Jan report was Rs. 1,95,818 crore, indicating that RBI has fully used up the GoI balances and the residual amount (Rs 80,000 crores) was out of RBI liquidity from other sources…**RBI may thus neutralise the Government cash balances through a carefully crafted dynamic liquidity management policy**…**an example of injection of temporary liquidity replacing not only shortfall of temporary liquidity, but also perhaps shortfall in permanent liquidity…..**

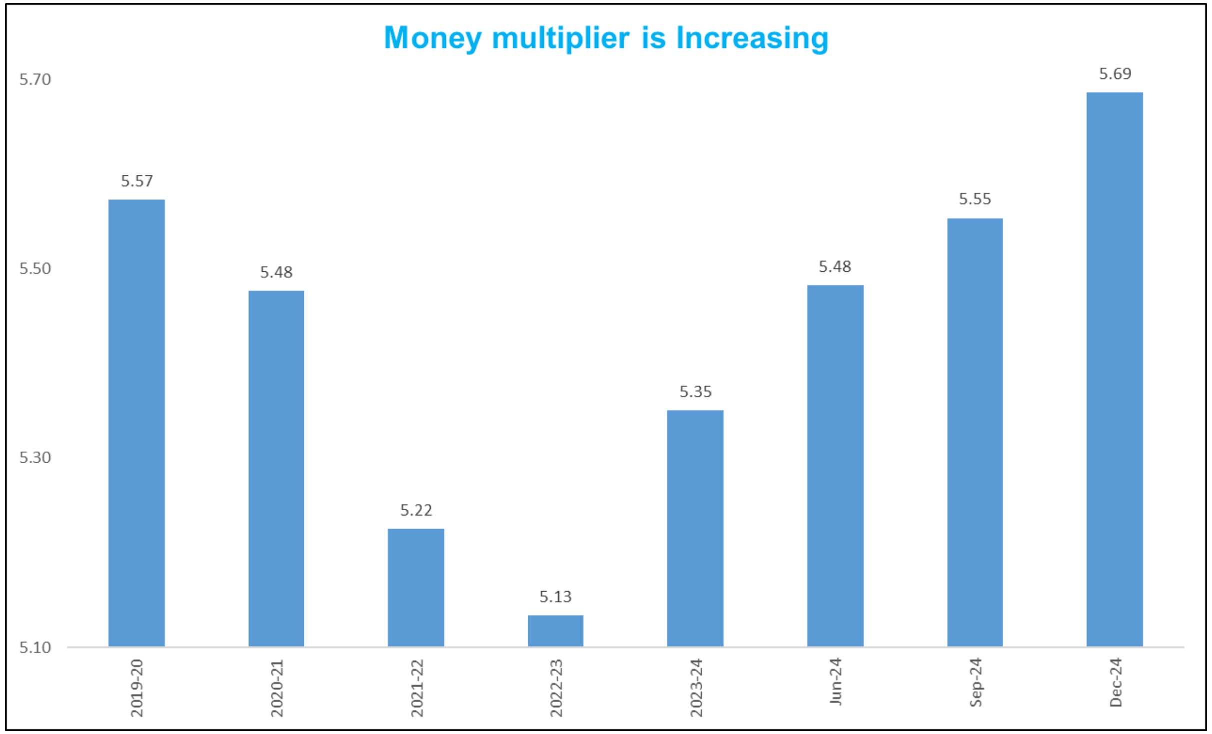
- In principle, the unspent cash balance of the Government is now being auctioned by the RBI through repos, has its limitation in terms of amount and tenor. While RBI's steps do provide some comfort in terms of liquidity, the cash balances of Government cannot become a part of permanent liquidity as they cannot be transferred to Banking system under the current JIT mechanism and can at best be used to manage only short term mismatches

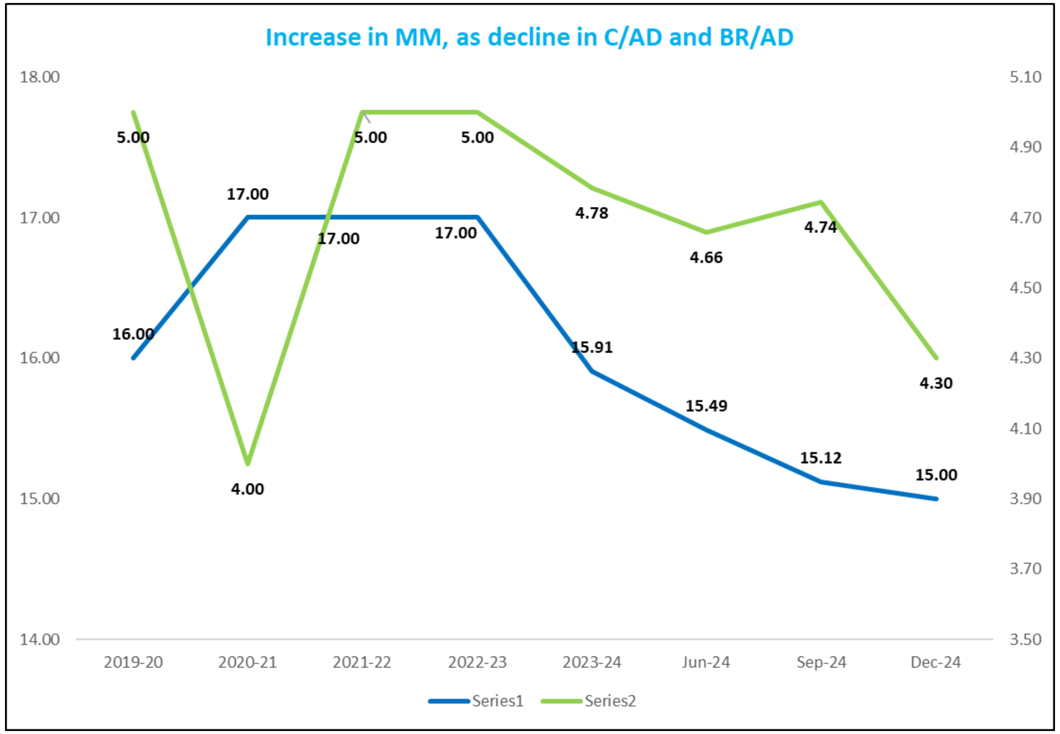
Option 3: Using CRR as countercyclical liquidity buffer akin to countercyclical capital buffer……OMO may be also a preferred option if yields spike….

- While the linkage between Govt cash and LAF operations already exists, GoI cash alone may not be adequate to meet the market requirement especially since durable liquidity is in negative territory…..
- Thus, we believe using CRR as a countercyclical policy tool could be a right approach from a long term perspective that bodes well for strengthening the domestic credit framework
- CRR can be temporarily lowered in times of capital outflow to release durable liquidity and raised again once flows return to the market… the flexibility can effectively be used to hedge the short term rates from embracing unwanted volatilities
- **Inclusion of a certain portion of CRR towards HQLA as a countercyclical measure to help improve liquidity can be considered**
- OMO is also possibility but given the lower level of gsec yields, there are doubts whether RBI will use it at this stage. But if yields were to spike towards 7% for some reason, OMO definitely becomes a preferred measure for liquidity injection

Lowering CRR can also have a direct impact on Money Multiplier….

- Despite lower reserve money (RM) growth in the current year, the relative stability in M3 growth could be attributed to the increase in the money multiplier (M3/RM), which currently stands at 5.6 compared to 5.3 last year
- **This increase in money multiplier is brought about by the combined impact of the decline in (i) the currency-deposit ratio (C/AD) from 15.9% in March 2024 to 15.0% in Dec 2024; and (ii) the reserve-deposit ratio (BD/AD) from 4.78% to 4.74% during the same period**
- **In an inflation targeting framework, money supply is endogenous and thus a lower RM extension can still push up money supply growth through a policy induced change in multiplier…**





Option 4: Need to continuously develop the term money market to provide sufficient liquidity beyond the overnight time slot

- Though call money market is suitable for managing day-to-day liquidity, it is insufficient for the short-term to medium-term liquidity management purpose due to lack of depth in term money market. The term money market, which has a monthly size of Rs 10-15 lakh crore, in India has four major components. The term money market has the lowest share (~1%) in total term market in India. The continuous development of term money market is essential in order to manage liquidity over a short period of time

Term Segment Market (Rs Crore)							
Month	Notice Money	Term Money	CBLO/Triparty Repo	Market Repo	Repo in Corporate Bond	Total	Term money as % of total
Jan-24	27681	10815	700862	317855	10	1057223	1.0
Feb-24	24621	9397	694088	359309	0	1087414	0.9
Mar-24	35507	10959	994488	539828	0	1580783	0.7
Apr-24	28380	12754	734565	382699	10	1158408	1.1
May-24	37609	12800	992004	525303	0	1567716	0.8
Jun-24	23443	6798	724888	348503	60	1103692	0.6
Jul-24	21752	12086	764312	344394	200	1142744	1.1
Aug-24	33860	9889	1119222	501566	2417	1666954	0.6
Sep-24	14152	9557	431730	192124	205	647768	1.5
Oct-24	28880	10824	740982	328128	0	1108813	1.0
Nov-24	19940	11323	906893	327802	0	1265958	0.9
Dec-24	23643	8888	867371	323892	50	1223842	0.7
Jan-25	15323	6285	416472	158140	140	596359	1.1
Source: RBI, SBI Research, till 15th Jan 25							

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