

(BN) China Shibor Drops Most in 8 Months as PBOC Injects Record Funds

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CENTRAL BANK INJECTS NET 365 BLN YUAN THIS WEEK

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China Shibor Drops Most in 8 Months as PBOC Injects Record Funds
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By Bloomberg News

Sept. 27 (Bloomberg) -- China's one-month money market rate dropped the most in eight months after the central bank added a record amount of funds to the financial system, helping ease demand for cash before a weeklong holiday starting Oct. 1.

The People's Bank of China injected a net 365 billion yuan (\$57.9 billion) via reverse-repurchase operations and bill redemptions this week, the most since Bloomberg started compiling the data in 2008, compared with 101 billion yuan last week. The monetary authority offered 130 billion yuan of 28-day reverse repo agreements and 50 billion yuan of 14-day contracts today, according to a statement. China's financial markets will be shut next week for the National Day and mid-autumn holidays.

"Liquidity won't be any problem in the last two days before the holiday," said Peng Hao, a bond analyst at Fudian Bank Co. in Kunming, capital of the southern Yunnan province.

The one-month Shanghai interbank offered rate, or Shibor, fell 66 basis points to 4.17 percent, the biggest drop since Jan. 20, according to a daily fixing rate announced by the National Interbank Funding Center.

Yields on the 28- and 14-day reverse repo contracts were kept unchanged at 3.60 percent and 3.45 percent, respectively, according to the central bank statement.

Cash supply in the banking system may decline after the holiday as banks set aside funds on Oct. 8 to meet reserve requirements based on their outstanding deposits as of Sept. 30, according to Peng.

The one-year swap contract, the fixed cost needed to receive the floating seven-day repurchase rate, declined four basis points to 3.14 percent as of 4:30 p.m. in Shanghai, according to data compiled by Bloomberg.

The yield on the 2.95 percent government bond due August 2017 dropped one basis point, or 0.01 percentage point, to 3.15 percent, according to the Interbank Funding Center.

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