

Thailand

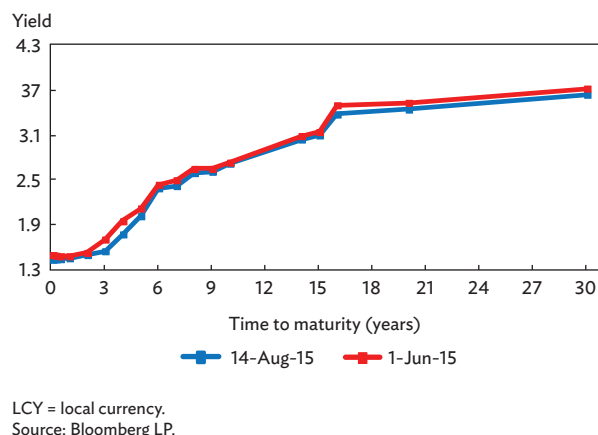
Yield Movements

Thailand's local currency (LCY) government bond yields fell for all tenors between 1 June and 14 August—with declines ranging from 1 basis point (bp) for the 10-year tenor to 18 bps for the 4-year tenor—amid expectations of a sluggish economic performance and weak inflationary pressures (**Figure 1**). In the same period, the yield spread between the 2-year and 10-year tenors widened 1 bp.

The Bank of Thailand's Monetary Policy Committee decided on 5 August to keep the policy interest rate steady at 1.50%. This was the second consecutive time that the committee decided not to change the policy rate. In its 5 August monetary policy decision, the committee underscored the importance of an accommodative monetary policy stance in light of Thailand's gradual economic recovery and its headline inflation remaining negative.

Thailand's real gross domestic product (GDP) growth eased to 2.8% year-on-year (y-o-y) in 2Q15 from 3.0% y-o-y in 1Q15 amid slower growth in private consumption, domestic investment, and nonagricultural production, as well as negative growth in agricultural output, according to data from the Office of the National Economic and Social Development Board. On a seasonally adjusted and quarter-on-quarter (q-o-q) basis, real GDP growth inched up to 0.4% in 2Q15 from 0.3% in 1Q15. Meanwhile, Thailand's Consumer Price Index fell 1.0% y-o-y in July, marking the seventh consecutive month of a y-o-y decrease in

Figure 1: Thailand's Benchmark Yield Curve—LCY Government Bonds



overall consumer prices, led by declining energy prices and transport costs.

Size and Composition

LCY bonds outstanding in Thailand rose 3.1% quarter-on-quarter (q-o-q) and 4.6% y-o-y in 2Q15, a relatively faster pace of expansion than 1Q15's growth of 0.6% q-o-q and 1.7% y-o-y, and 2Q14's growth of 0.2% q-o-q and 3.4% y-o-y (**Table 1**). The expansion of the Thai LCY bond market in 2Q15 was largely driven by increases in the stocks of LCY government bonds and LCY corporate bonds: LCY government bonds outstanding climbed 3.1% q-o-q and 4.2% y-o-y—led by increases in central bank bonds, central

Table 1: Size and Composition of the LCY Bond Market in Thailand

	Outstanding Amount (billion)						Growth Rate (%)			
	2Q14		1Q15		2Q15		2Q14		2Q15	
	THB	US\$	THB	US\$	THB	US\$	q-o-q	y-o-y	q-o-q	y-o-y
Total	9,180	283	9,314	286	9,606	284	0.2	3.4	3.1	4.6
Government	7,008	216	7,079	218	7,299	216	(0.3)	0.02	3.1	4.2
Government Bonds and Treasury Bills	3,425	106	3,578	110	3,602	107	(1.0)	6.0	0.7	5.2
Central Bank Bonds	2,824	87	2,682	82	2,910	86	0.1	(8.9)	8.5	3.0
State-Owned Enterprise and Other Bonds	759	23	819	25	787	23	1.2	12.2	(3.8)	3.7
Corporate	2,173	67	2,235	69	2,307	68	2.1	15.9	3.2	6.2

() = negative, LCY = local currency, q-o-q = quarter-on-quarter, y-o-y = year-on-year.
Notes:

1. Calculated using data from national sources.

2. Bloomberg end-of-period LCY-US\$ rates are used.

3. Growth rates are calculated from an LCY base and do not include currency effects.

Sources: Bank of Thailand and Bloomberg LP.

government bonds, and Treasury bills—while the stock of LCY corporate bonds grew 3.2% q-o-q and 6.2% y-o-y. At end-June, Thai LCY bonds outstanding amounted to THB9.6 trillion (US\$284 billion), of which 76% were government bonds and 24% were corporate bonds.

Issuance of Thai LCY government bonds in 2Q15 amounted to THB1.8 trillion, up 11.3% q-o-q and

11.4% y-o-y. Meanwhile, 2Q15 corporate bond issuance totaled THB0.4 trillion, up 64.8% q-o-q but down 13.4% y-o-y.

At end-June, the combined LCY bonds outstanding of the top 30 Thai corporate issuers were valued at THB1,365.4 billion, comprising 59.2% of the overall LCY corporate bond market in Thailand (**Table 2**). The

Table 2: Top 30 Issuers of LCY Corporate Bonds in Thailand

Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
	LCY Bonds (THB billion)	LCY Bonds (US\$ billion)			
1. PTT	179.9	5.3	Yes	Yes	Energy and Utilities
2. CP All	169.5	5.0	No	Yes	Commerce
3. The Siam Cement	166.5	4.9	Yes	Yes	Construction Materials
4. Charoen Pokphand Foods	73.1	2.2	No	Yes	Food and Beverage
5. Thai Airways International	48.6	1.4	Yes	Yes	Transportation and Logistics
6. Kasikorn Bank	43.5	1.3	No	Yes	Banking
7. Indorama Ventures	42.6	1.3	No	Yes	Petrochemicals and Chemicals
8. The Siam Commercial Bank	40.0	1.2	No	Yes	Banking
9. Toyota Leasing Thailand	37.2	1.1	No	No	Finance and Securities
10. True Corporation	36.5	1.1	No	Yes	Communications
11. Bank of Ayudhya	35.8	1.1	No	Yes	Banking
12. Banpu	35.4	1.0	No	Yes	Energy and Utilities
13. Thanachart Bank	32.5	1.0	No	No	Banking
14. PTT Exploration and Production Company	32.1	0.9	Yes	Yes	Energy and Utilities
15. Phatra Securities	31.7	0.9	No	No	Finance and Securities
16. Mitr Phol Sugar	31.3	0.9	No	No	Food and Beverage
17. Thai Oil	28.0	0.8	Yes	Yes	Energy and Utilities
18. Quality Houses	27.9	0.8	No	Yes	Property and Construction
19. IRPC	27.6	0.8	Yes	Yes	Energy and Utilities
20. TMB Bank	25.4	0.8	No	Yes	Banking
21. ICBC Thai Leasing	24.7	0.7	No	No	Finance and Securities
22. Krung Thai Card	24.2	0.7	Yes	Yes	Finance and Securities
23. Krung Thai Bank	23.8	0.7	Yes	Yes	Banking
24. DAD SPV	22.5	0.7	Yes	No	Finance and Securities
25. Minor International	22.3	0.7	No	Yes	Food and Beverage
26. Pruksa Real Estate	22.0	0.7	No	Yes	Property and Construction
27. Bangkok Dusit Medical Services	20.6	0.6	No	Yes	Health Care Services
28. PTT Global Chemical	20.3	0.6	No	Yes	Petrochemicals and Chemicals
29. Bangkok Bank	20.0	0.6	No	Yes	Banking
30. CH. Karnchang	20.0	0.6	No	Yes	Property and Construction
Total Top 30 LCY Corporate Issuers	1,365.4	40.4			
Total LCY Corporate Bonds	2,306.8	68.2			
Top 30 as % of Total LCY Corporate Bonds	59.2%	59.2%			

LCY = local currency.

Notes:

1. Data as of end-June 2015.

2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

Source: *AsianBondsOnline* calculations based on Bloomberg data.

five largest LCY bond issuances in Thailand in 2Q15 were (i) Siam Cement's 3-year and 4-year bonds at THB15 billion each and carrying coupon rates of 3.75% and 3.90%, respectively; (ii) Land & Houses' THB7 billion 3-year bond carrying a 2.81% coupon; (iii) Thanachart Bank's THB7 billion 10.5-year bond with a 4.65% coupon; and (iv) Charoen Pokphand Food's THB6.5 billion 5-year bond with a 3.21% coupon (**Table 3**).

Table 3: Notable LCY Corporate Bond Issuance in 2Q15

Corporate Issuers	Coupon Rate (%)	Issued Amount (THB billion)
Siam Cement		
3-year bond	3.75	15.00
4-year bond	3.90	15.00
Land & Houses		
3-year bond	2.81	7.00
Thanachart Bank		
10.5-year bond	4.65	7.00
Charoen Pokphand Foods		
5-year bond	3.21	6.50

LCY = local currency.
Source: Bloomberg LP.

Investor Profile

Contractual savings funds and insurance companies remained the two largest investor groups in Thailand's LCY government bond market in 2Q15, with their

holdings of THB-denominated government bonds at the end of June representing 27.9% and 25.8% of the total, respectively (**Figure 2**). Compared with a year earlier, the share of commercial banks in LCY government bonds increased the most, gaining 2 percentage points, while the share of individual resident investors incurred the biggest decline at 3 percentage points.

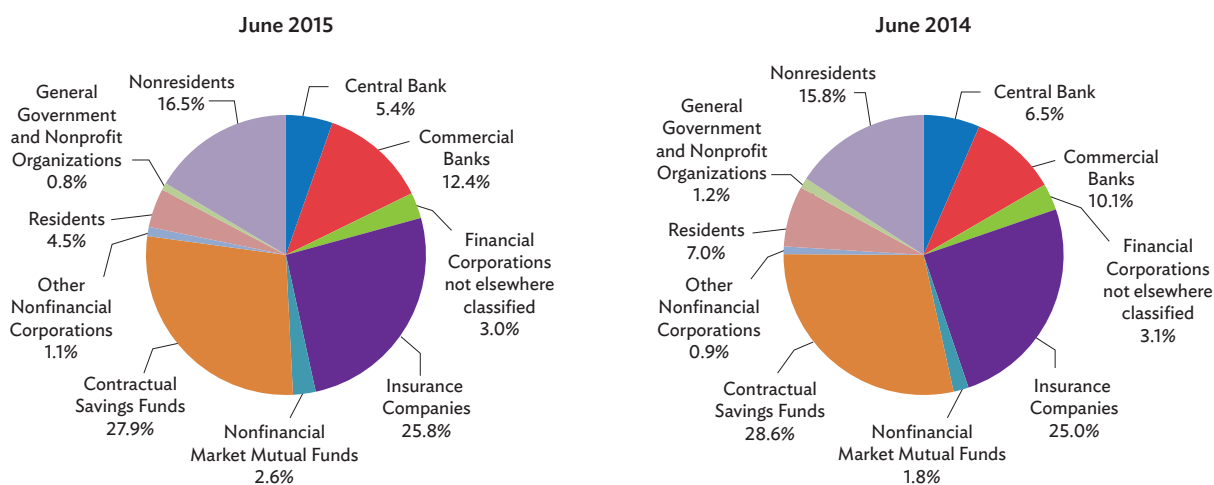
Foreign investors in the Thai LCY bond market recorded net bond sales of THB26.4 billion in 2Q15, a reversal from their net bond purchases of THB7.3 billion in 1Q15. The last 2 months of the second quarter saw foreign investors engaging in net sales of Thai LCY bonds amid external pressures, specifically the looming interest rate hike in the United States and the debt crisis in Greece. However, in July, the market recorded net purchases from foreign investors amounting to THB9.4 billion (**Figure 3**).

Policy, Institutional, and Regulatory Developments

SEC Eases its Facilitation of Debt Securities Offerings

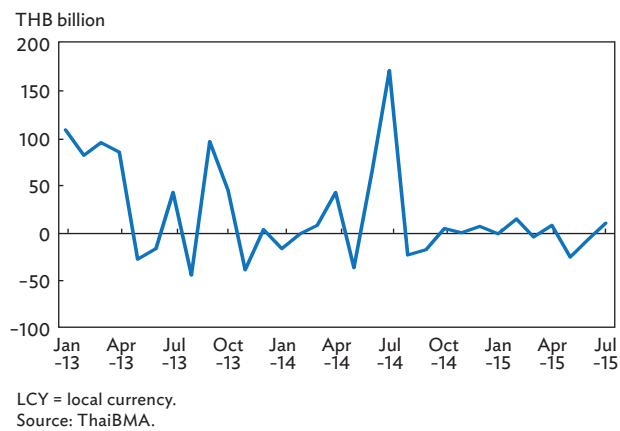
The Securities and Exchange Commission, Thailand (SEC) reported in July that it had eased the process by which it facilitates debt securities offerings via the Capital Market Supervisory Board's approval of revisions to existing regulations. Under the revised rules, which according to the SEC will take effect in 3Q15, an issuer

Figure 2: LCY Government Bonds Investor Profile



LCY = local currency.
Note: Government bonds exclude central bank bonds and state-owned enterprise bonds.
Sources: AsianBondsOnline and Bank of Thailand.

Figure 3: Foreign Investor Net Trading of LCY Bonds in Thailand



can be given a 2-year program allowing for multiple debt securities offerings within the prescribed period. The SEC stated that this will help promote issuance of corporate bonds.

SEC Revises Regulations on Cross-Border Offerings of Debt Securities and Collective Investment Schemes

The SEC announced in May that the Capital Market Supervisory Board had revised regulations governing cross-border offerings of debt securities and collective investment schemes. One of the revisions will allow nonresident issuers to sell *sukuk* in Thailand. The revised regulations, according to the SEC, will take effect in 3Q15.