

Thailand

Yield Movements

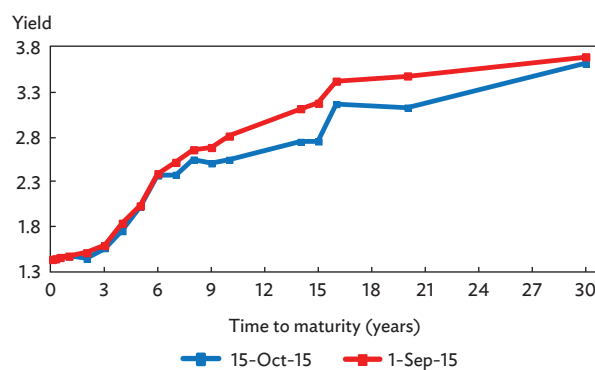
Local currency (LCY) government bond yields in Thailand declined for most tenors between 1 September and 15 October amid market expectations of domestic interest rates remaining low (**Figure 1**). The yield spread between the 2-year and 10-year tenors narrowed 20 basis points (bps).

The Bank of Thailand's Monetary Policy Committee decided on 16 September to keep the 1-day repurchase rate steady at 1.50%, marking the third consecutive time that the Thai central bank has maintained the policy interest rate. The committee stated that the Thai economy recovered gradually in 2Q15, and that inflationary pressures have weakened. Thailand's overall consumer prices fell 0.8% year-on-year (y-o-y) in October, the tenth consecutive month of decline amid falling energy prices.

Size and Composition

The LCY bond market of Thailand continued to expand in 3Q15 as the outstanding stock grew 1.0% quarter-on-quarter (q-o-q) and 5.8% y-o-y, leveling off at THB9,702 billion (US\$267 billion) at the end of September (**Table 1**). The government bond market posted 5.4% y-o-y growth, buoyed by increases in the stock of central bank bonds, central government bonds, and Treasury bills. On a q-o-q basis, total government bonds outstanding slipped 0.1%. Issuance of LCY government bonds in 3Q15 totaled THB1,385 billion,

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



LCY = local currency.
Source: Bloomberg LP.

down 23.4% q-o-q and 11.7% y-o-y, due to lower volumes of central government and central bank bond issues.

The outstanding size of Thai LCY corporate bonds was estimated at THB2,413 billion at end-September, posting growth rates of 4.6% q-o-q and 7.0% y-o-y. Issuance of corporate bonds in 3Q15 was estimated at THB399 billion, down 2.1% from the previous quarter and 4.3% from 3Q14.

The top 30 Thai corporate issuers had combined LCY bonds outstanding of THB1,406.9 billion at the end of September, representing 58.3% of total LCY corporate bonds in Thailand (**Table 2**). The three largest corporate bond issuers were CP All, PTT, and Siam Cement. Of the

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

	Outstanding Amount (billion)						Growth Rate (%)			
	3Q14		2Q15		3Q15		3Q14		3Q15	
	THB	US\$	THB	US\$	THB	US\$	q-o-q	y-o-y	q-o-q	y-o-y
Total	9,172	283	9,606	284	9,702	267	(0.1)	2.7	1.0	5.8
Government	6,916	213	7,299	216	7,289	200	(1.3)	(1.3)	(0.1)	5.4
Government Bonds and Treasury Bills	3,454	106	3,602	107	3,678	101	0.8	2.5	2.1	6.5
Central Bank Bonds	2,700	83	2,910	86	2,862	79	(4.4)	(7.6)	(1.6)	6.0
State-Owned Enterprise and Other Bonds	763	24	787	23	749	21	0.5	7.1	(4.8)	(1.8)
Corporate	2,256	70	2,307	68	2,413	66	3.8	17.1	4.6	7.0

(-) = 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.

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.	CP All	173.0	4.8	No	Yes	Commerce
2.	PTT	171.3	4.7	Yes	Yes	Energy and Utilities
3.	The Siam Cement	166.5	4.6	Yes	Yes	Construction Materials
4.	Charoen Pokphand Foods	80.0	2.2	No	Yes	Food and Beverage
5.	Thai Airways International	56.6	1.6	Yes	Yes	Transportation and Logistics
6.	Bank of Ayudhya	50.8	1.4	No	Yes	Banking
7.	Indorama Ventures	42.6	1.2	No	Yes	Petrochemicals and Chemicals
8.	The Siam Commercial Bank	40.0	1.1	No	Yes	Banking
9.	Mitr Phol Sugar	38.4	1.1	No	No	Food and Beverage
10.	Banpu	37.9	1.0	No	Yes	Energy and Utilities
11.	True Corporation	36.5	1.0	No	Yes	Communications
12.	Kasikorn Bank	36.0	1.0	No	Yes	Banking
13.	Toyota Leasing Thailand	34.5	0.9	No	No	Finance and Securities
14.	Thanachart Bank	32.5	0.9	No	No	Banking
15.	PTT Exploration and Production Company	32.1	0.9	Yes	Yes	Energy and Utilities
16.	Phatra Securities	31.7	0.9	No	No	Finance and Securities
17.	TPI Polene	29.6	0.8	No	Yes	Property and Construction
18.	Tisco Bank	28.1	0.8	No	No	Banking
19.	Thai Oil	28.1	0.8	Yes	Yes	Energy and Utilities
20.	Land & Houses	26.5	0.7	No	Yes	Property and Construction
21.	TMB Bank	25.4	0.7	No	Yes	Banking
22.	Krung Thai Card	25.1	0.7	Yes	Yes	Finance and Securities
23.	Quality Houses	24.9	0.7	No	Yes	Property and Construction
24.	Krung Thai Bank	23.8	0.7	Yes	Yes	Banking
25.	CH. Karnchang	23.5	0.6	No	Yes	Property and Construction
26.	IRPC	22.6	0.6	Yes	Yes	Energy and Utilities
27.	DAD SPV	22.5	0.6	Yes	No	Finance and Securities
28.	Minor International	22.3	0.6	No	Yes	Food and Beverage
29.	ICBC Thai Leasing	22.1	0.6	No	No	Finance and Securities
30.	Pruksa Real Estate	22.0	0.6	No	Yes	Property and Construction
Total Top 30 LCY Corporate Issuers		1,406.9	38.7			
Total LCY Corporate Bonds		2,413.0	66.3			
Top 30 as % of Total LCY Corporate Bonds		58.3%	58.3%			

LCY = local currency.

Notes:

1. Data as of end-September 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.

top five LCY bond corporate issues in Thailand in 3Q15, three were from (two) telecommunication companies and two were from a domestic bank (**Table 3**).

Investor Profile

Contractual savings funds continued to be the largest investor group in Thailand's LCY government bond market, holding 27.9% of the total at the end of June (**Figure 2**). They were followed by insurance companies with 25.8%. Across investor groups, commercial banks had the largest y-o-y increase in bond holdings share,

while individual resident investors posted the biggest y-o-y drop.

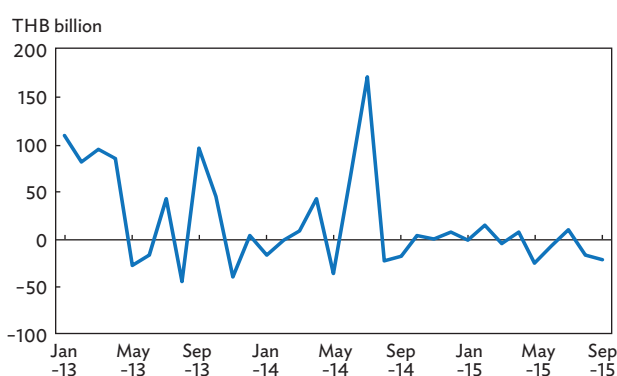
Foreign investors' net bond sales stood at THB29.9 billion in 3Q15—up from 2Q15's THB26.4 billion— with August and September recording relatively large bond sales amid market expectations of an interest rate hike in the United States as well as domestic political concerns (**Figure 3**).

Table 3: Notable LCY Corporate Bond Issuance in 3Q15

Corporate Issuers	Coupon Rate (%)	Issued Amount (THB billion)
True Move H Universal Corporation		
3-year bond	4.20	10.00
3-year bond	4.20	8.40
Bank Ayudhya		
2-year bond	2.00	8.00
3-year bond	2.25	7.00
DTAC Trinet Company		
10-year bond	3.98	6.00

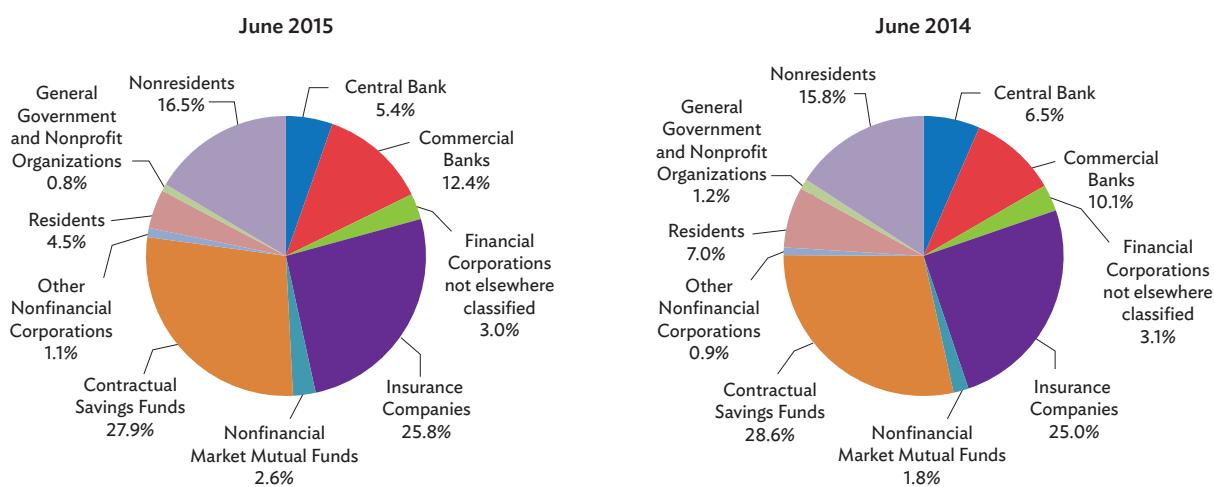
LCY = local currency.
Source: Bloomberg LP.

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



LCY = local currency.
Source: ThaiBMA.

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.

Policy, Institutional, and Regulatory Developments

Cabinet Approves Growth Measures

The cabinet approved five policy measures in October to improve the Thai economy, enhance business sentiment, and develop the government's venture capital program. These measures, proposed by the Ministry of Finance, include (i) reducing the corporate income tax rate to 20% from 23%, (ii) providing corporate income and dividend tax exemptions for government venture capital funds over a span of 10 years, (iii) lowering real estate transfer and mortgage fees, (iv) providing a THB10 billion 1-year budget to the Government Housing Bank, and (v) allowing taxable income deductions over 5 years for first-home buyers of up to 20% of the home's value.