

## Thai Bond Market Update at Quarter 3/2016

### I. Primary Market

Thai bond market has been growing continuously and its outstanding value equals to 10.7 trillion baht or increases 5.72% from last year. As many as 317 corporate firms have raised fund through corporate bond market which surpass the number in the previous year.

In the first 3 quarters of 2016, the number of long-term corporate issuers is 128 companies; only 4 companies will make it equivalent to the number in the previous year. The issue size ranges from THB 10 million to THB 15,000 million. And the issue rating concentrates in rating A the most (50% of total long-term issuance amount).

On the government sector, THB 5,709 billion of the Bank of Thailand (BOT) bonds have auctioned in the first 3 quarters of 2016, increased by 7% from the previous year. The auctioned T-Bills amounted to THB 323 billion, lower by 70%; while, government bonds totaled THB 453 billion, decreased by 27% from the previous year. New issuance of State Owned Enterprise (SOE) bonds totaled THB 121 billion, dropped by 18% from those in 2015; whereas, new issuance of Commercial paper registered with ThaiBMA totaled THB 685 billion, or 20% lower than those in 2015. New issuances of long-term corporate bonds were THB 518 billion, decreased by 5% from the previous year. However, in this year foreign bonds have not been issued yet, while it totaled THB 25 billion in the previous year.

Table 1: BOND ISSUANCE REGISTERED AT THAIBMA

Type	2016 (First 9 months)	2015	Unit: THB Mln % Change
BOT Bond	5,709,816	5,317,305	7%
Treasury Bills	323,632	1,065,416	-70%
Government Bonds	453,332	617,322	-27%
State Owned Enterprise Bonds	121,556	149,001	-18%
Commercial Paper	685,520	859,789	-20%
Long-term Corporate Bond	518,825	546,891	-5%
Foreign bond	-	25,000	-100%
<b>Total</b>	<b>7,812,681</b>	<b>8,580,724</b>	<b>-9%</b>

## Outstanding Value of ThaiBMA Registered Bonds

The total outstanding value of ThaiBMA registered bonds as of October 2016 amounted THB 10,611 billion, a growth of 6% from the previous year. This consisted of THB 3,954 billion of government bonds, THB 2,961 billion of BOT bonds, THB 822 billion of SOE bonds, THB 2,368 billion of long-term corporate bonds, THB 314 billion of commercial papers, and THB 66 billion of foreign bonds (*See Table 2*).

**TABLE 2: THAIBMA REGISTERED BOND OUTSTANDING**

Type	Unit: THB Mln		
	2016 (First 9 months)	2015	% Change
<b>Government Bonds</b>	3,954,915	3,724,713	6%
<b>Treasury Bills</b>	123,632	187,702	-34%
<b>State Owned Enterprise Bond</b>	822,291	782,498	5%
<b>BOT Bonds</b>	2,961,302	2,823,487	5%
<b>Corporate Bond</b>	2,682,581	2,416,249	11%
- Long-term Corporate Bond	2,368,251	2,078,750	14%
- Commercial Paper	314,330	337,498	-7%
<b>Foreign Bond</b>	66,499	88,474	-25%
<b>Total</b>	<b>10,611,221</b>	<b>10,023,122</b>	<b>6%</b>

The largest portion of long-term corporate bond outstanding was in Banking sector (18%), followed by Energy sector (16%), Property Development sector (11%), Commerce sector (11%), Construction Materials sector (9%), Financial and Securities sector (8%), Food and Beverage sector (8%), Information & Communication Technology sector (6%) and Others (13%). Taking into account of the issuance amount of corporate bond ranking by rating of issue size, the proportion of corporate bond rating A and BBB has decreased to 50% and 13% respectively. On the other hand, the portion of Non-rated corporate bond has increased to 6%. (*See Figures 1 and 2*)

**FIGURE 1: CORPORATE BOND'S OUTSTANDING VALUE BY BUSINESS SECTOR (as of Dec 30, 2015)**

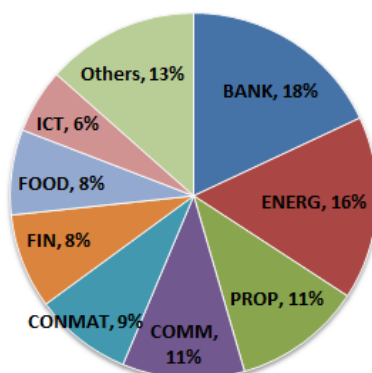
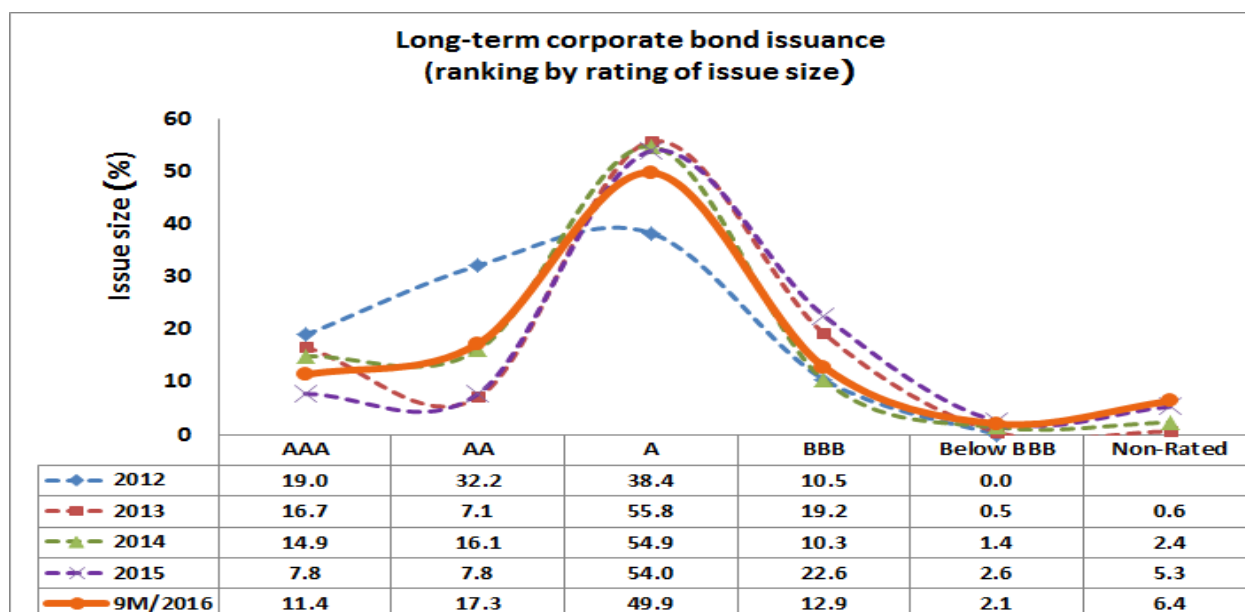


FIGURE 2: PROPORTION OF CORPORATE BOND ISSUER BY RATING



## II. Bond Trading Activities

In the first 9 months of 2016, total outright trading value was THB 17,284 billion, 12% lower than in 2015 (See Table 3). Trading activities in 2016 still have concentrated in BOT bond, accounted for THB 12,507 billion or 72% of the total outright trading value. The government bonds accounted for THB 3,345 billion, followed by THB 478 billion of long-term corporate bonds, THB 445 billion of T-Bills, THB 327 billion of commercial paper, THB 161 billion of SOE bonds, and THB 18 billion of foreign bonds.

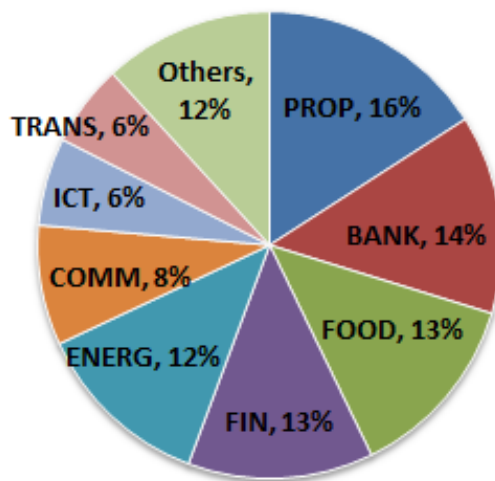
TABLE 3: THAIBMA OUTRIGHT TRADING AND OUTSTANDING VALUE (THB Mln) BETWEEN 2015 & 2016

Unit: THB Mln

Type	2015		2016 (First 9 months)		% Change	
	Outright Trading	Outstanding	Outright Trading	Outstanding	Outright Trading	Outstanding
Government Bonds	4,605,344	3,724,713	3,345,857	3,954,915	-27%	6%
T-Bills	1,360,925	187,702	445,518	123,632	-67%	-34%
State Owned Enterprise Bonds	244,728	782,498	161,346	822,291	-34%	5%
BOT Bonds	12,615,669	2,823,487	12,507,573	2,961,302	-1%	5%
Long-term Corporate Bonds	496,354	2,078,750	478,307	2,368,251	-4%	14%
Commercial Paper	311,333	337,498	327,803	314,330	5%	-7%
Foreign Bonds	19,484	88,474	18,364	66,499	-6%	-25%
<b>Total Value</b>	<b>19,653,835</b>	<b>10,023,122</b>	<b>17,284,768</b>	<b>10,611,221</b>	<b>-12%</b>	<b>6%</b>

Total outright trading of long-term corporate bonds in the first 9 months of 2016 totaled THB 478 billion or 2.76% of the total outright trading value. The largest portion of corporate bonds outright trading value was in Property sector (16%), followed by the Banking sector (14%), Food and Beverage sector (13%), Financial Institution sector (13%) and Energy sector (12%). **(See Figures 3).**

**FIGURE 3: CORPORATE BOND'S TRADING VALUE BY BUSINESS SECTOR, IN THE FIRST 9 MONTHS OF 2016**



### **Market Participants**

The top ten most active member dealers for outright trading with over 1 year maturity in the first 9 months of 2016 comprised of eight local commercial banks, namely: Bangkok Bank Plc (13.95% of market share), Krung Thai Bank Plc (7.92%), Standard Chartered Bank (7.23%), Siam Commercial Bank Plc (6.36%), CIMB Thai Bank Plc (6.64%), Kasikorn Bank Plc (6.06%), TMB Bank Plc (6.15%), KGI Securities (Thailand) Plc (4.98%) and two foreign commercial banks: The Hongkong and Shanghai Banking Corporation Limited (HSBC) (7.16%), and CITI Bank (5.90%). **(See Table 4).**

**TABLE 4: TOP 10 MOST ACTIVE MEMBER DEALERS (Exclude < 1 Yr Bonds)**

Rank	Dealer	Outright Trading Value	Market Share
1	BBL	781,369	13.95%
2	KTB	443,627	7.92%
3	HSBC	400,918	7.16%
4	SCBT	405,241	7.23%
5	SCB	356,382	6.36%
6	CIMBT	372,090	6.64%
7	KBANK	339,424	6.06%
8	TMB	344,532	6.15%
9	CITI	330,370	5.90%
10	KGI	278,860	4.98%
	Other	1,548,642	27.65%
Total		5,601,454	100.00%

## Market Liquidity

In the first 3 quarters of 2016, the turnover ratio (outright transaction only) for all types of bonds was 1.63times, dropping from the ratio of 1.96times in 2015. In particular, the turnover ratio of BOT bonds was 4.22times, followed by T-bill (3.60 times),commercial paper (1.04 times),government bonds (0.85 times),foreign bonds (0.28 times), SOE bonds (0.20times) and long-term corporate bond (0.20 times).

The top five most active issues of government bonds were LB206A, LB21DA, LB196A, LB176Aand LB25DA(*See Table 5*), whereas the top five most active SOE bonds wereGGLB189A, GGLB16NA, GGLB156A, GGLB157C, and GGLB20NA (*See Table 6*). With regards to long-term corporate bonds, the top five most active issues were SCC184B, TLT164A, CPF163A, TLT174A, and TLT162A (*See Table 7*).

**TABLE 5: TOP 5 MOST ACTIVE GOVERNMENT BONDS**

Issue	Type/Rating	TTM(Yrs.)	High Yield (%)	Low Yield (%)	Trading Value (THB Mln)	Turnover Ratio (%)	Last Trade Date
LB206A	Loan Bond	3.74	2.06	1.36	515,866	2.74	30-Sep-16
LB21DA	Loan Bond	5.22	2.39	1.35	503,837	1.65	30-Sep-16
LB196A	Loan Bond	2.7	2.09	1.3	456,359	1.51	30-Sep-16
LB176A	Loan Bond	0.71	1.9	1.14	440,847	2.72	30-Sep-16
LB25DA	Loan Bond	9.21	2.65	1.48	405,141	2.09	30-Sep-16

TABLE 6: TOP 5 MOST ACTIVE STATE OWNED ENTERPRISE BONDS

Issue	Type/Rating	TTM(Yrs.)	High Yield (%)	Low Yield (%)	Trading Value (THB Mln)	Turnover Ratio (%)	Last Trade Date
GGLB189A	Guaranteed	1.99	1.875	1.42	22,159	0.38	28-Sep-16
GGLB16NA	Guaranteed	0.16	1.565	1.39	21,533	0.31	28-Sep-16
GGLB262A	Guaranteed	9.41	2.5801	1.76	18,977	1.03	9-Sep-16
GGLB20NA	Guaranteed	4.16	2.25	1.465	10,424	0.37	8-Sep-16
PEA199A	Non-Guaranteed	2.98	1.78	1.755	6,394	2.13	12-Feb-16

TABLE 7: TOP 5 MOST ACTIVE LONG TERM CORPORATE BONDS

Issue	Type/Rating	TTM(Yrs.)	High Yield (%)	Low Yield (%)	Trading Value (THB Mln)	Turnover Ratio (%)	Last Trade Date
PTTEP296A	AAA	12.69	3.29	2.61	9,673	0.85	29-Sep-16
DTN207A	AA+	3.83	3.28	2.02	7,250	1.81	29-Sep-16
BAY193A	AAA	2.42	2.08	1.57	6,985	0.58	12-Sep-16
UOBT165A	AAA	-	1.65	1.47	6,872	1.96	21-Apr-16
THAI185C	A	1.62	3.49	2.23	6,675	1.33	30-Sep-16

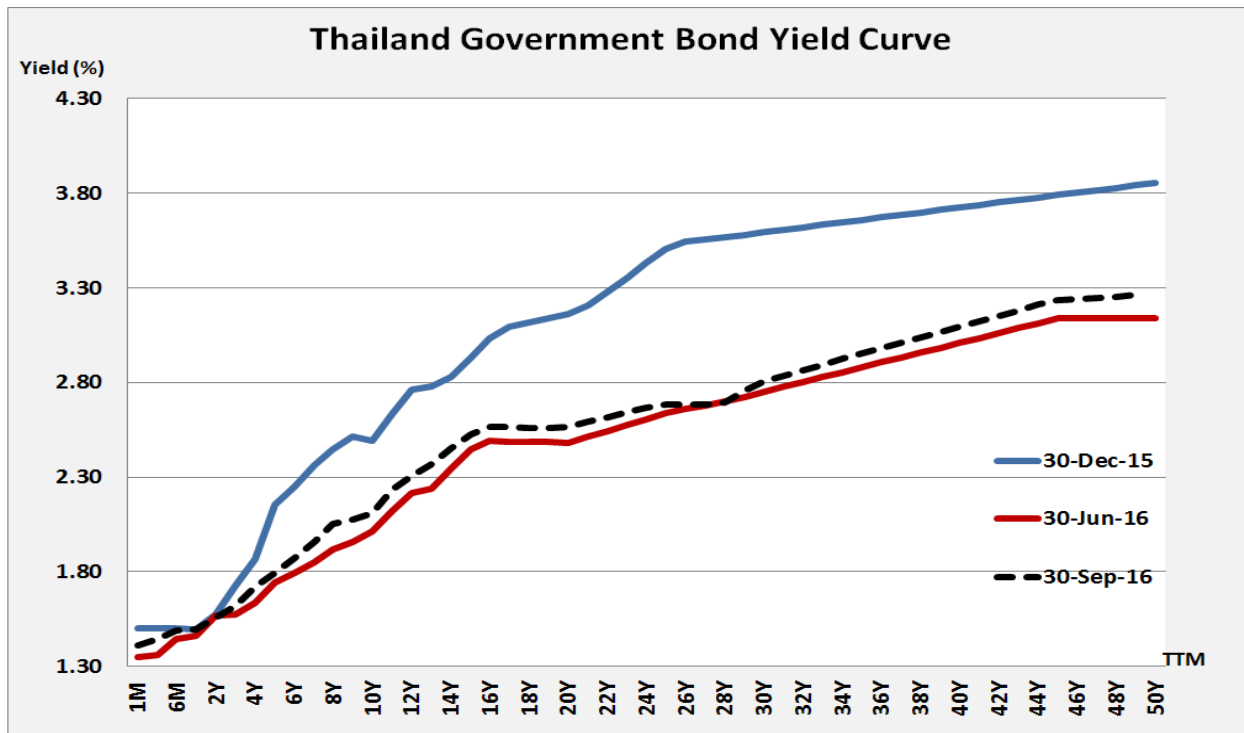
## Yield Movement and the ThaiBMA Bond Index

Comparing yield's movement of the government bond at the end of the third quarter with the previous year, short-term bonds' yield decreased around 5 basis points due to constant inflow from foreign investors. While the yield of long-term bond (longer than 1 year) went down 10-80 basis points as economic recovery in domestic and international was slower than market's expectation **(See Figure 4)**.

Since December 2015 FOMC raised policy rate by 0.25% to the rate of 0.25%-0.50%, market has constantly concerned about the timing of FOMC to increase the policy rate in 2016. Investors always respond to the expectation that FOMC might raise policy rate by selling off the risky assets including Thai bonds and buying back even more after FOMC postponed pushing up the policy rate yet. Besides, the international financial market seems to have more uncertainty from the Brexit and the election of the US's president. As the result, foreign investors turn to invest in Thai bond market more than the last year. Up to the third quarter, Thai bond market has experienced the foreign capital inflow totaled at THB 167,390 Mln. The bond holding value of foreign investors has increased

to THB 731,552 Mln, which is 28.7% higher than the value of THB 568,227 Mln at the end of 2015. Of the total foreign bond holding, 78% are invested in long-term government bonds.

**FIGURE 4: THAIBMA GOVERNMENT BOND YIELD CURVE MOVEMENT**



At the end of the quarter 3/2016, ThaiBMA government bond’s total return index closed at 271.71, representing year-to-date return of 5.55%. Returns on ThaiBMA government bond index subgroup 1 (1-3 years), subgroup 2 (3-7 years), subgroup 3 (7-10 years), subgroup 4 (over 10 years) and subgroup 5 (less than 10 years) were 1.24%, 2.39%, 4.74%, 10.76%, and 2.53%, respectively. Return on corporate bonds index was 2.66% decreased from 4.88% in 2015.