



## Thai Bond Market Movement in 2013

### I. Primary Market

68 corporate firms raised funds through long-term corporate bond issuance in 2013, which were 14 of new comers. The total new issues of registered bonds at the ThaiBMA were at THB 8,656.38 billion in 2013, 16% lower than the amount of THB 10,332.33 billion in 2012 (*See Table 1*). THB 5,850.35 billion of the Bank of Thailand (BOT) bonds were auctioned in 2013, decreased by 25% from the previous year. New issuance of Commercial paper registered with ThaiBMA totaled THB 1,201.11 billion, or 42% higher than those in 2012. The auctioned T-Bills amounted to THB 389.91 billion, increased by 52%; while, government bonds totaled THB 518.70 billion, dropped by 24% from the previous year. New issuance of State Owned Enterprise (SOE) bonds totaled THB 252.51 billion in 2013, increased by 19% from those in 2012; whereas, new issues of Foreign bonds totaled THB 25.35 billion, lower by 2% from the previous year.

TABLE 1: NEW ISSUANCE REGISTERED BOND AT THAIBMA

Type	2012	2013	Unit: THB Mln	
				Growth (%)
Government Bond	686,432	518,696	↓	-24%
Treasury Bills	256,485	389,907	↑	52%
State Own Enterprise Bond	211,374	252,506	↑	19%
State Agency Bond	7,799,269	5,850,354	↓	-25%
Long-term Corporate Bond	509,373	418,458	↓	-18%
Commercial Paper	843,598	1,201,105	↑	42%
Foreign Bond	25,800	25,350	↓	-2%
<b>Total</b>	<b>10,332,331</b>	<b>8,656,376</b>	<b>↓</b>	<b>-16%</b>



New issuances of long-term corporate bonds were THB 418.46 billion, decreased by 18% from the previous year. The number of new long-term corporate issues increased from 172 issues of 64 companies in 2012 to 182 issues of 68 companies in 2013, with the issue size ranging from THB 31.68 million to THB 25,000 million, and the issue rating ranging from AAA to BB+.

### Outstanding Value of ThaiBMA Registered Bonds

The total outstanding value of ThaiBMA registered bonds as of December 2013 amounted THB 8,991.82 billion, a growth of 5% from the previous year. This consisted of THB 3,336.94 billion of government bonds, THB 2,843.38 billion of State Agency (SA) bonds, THB 1,592.86 billion of long-term corporate bonds, THB 731.59 billion of SOE bonds, THB 290.58 billion of commercial papers, and THB 116.47 billion of foreign bonds (*See Table 2*).

TABLE 2: THAIBMA REGISTERED BOND OUTSTANDING

Unit: THB Mln

Type	2012	2013	Growth
Government Bond	3,025,646	3,336,937	↑ 10%
Treasury Bills	57,755	80,000	↑ 39%
State Own Enterprise Bond	621,715	731,585	↑ 18%
State Agency Bond	3,120,495	2,843,377	↓ -9%
Corporate Bond	1,655,656	1,883,446	↑ 14%
-Long-term Corporate Bond	1,453,019	1,592,862	↑ 10%
-Commercial Paper	202,637	290,584	↑ 43%
Foreign Bond	98,694	116,474	↑ 18%
<b>Total</b>	<b>8,579,961</b>	<b>8,991,819</b>	<b>↑ 5%</b>

The largest portion of long-term corporate bonds outstanding was in Banking sector (21%), followed by the Energy & Utilities (20%), Property Development sector (11%), Financial and Securities sector (10%), Construction Materials sector (9%), Transportation and Logistics (5%), Information and communication Technology (3%), and Others (21%). In term of credit rating, the majority of corporate bonds are A-rated bonds, accounting for THB 1,325.56 billion or 83% of the total outstanding value. The remaining 17% consisted of THB 172.92 billion of B-rated bonds (11%) and THB 94.39 billion of Non-rated (6%) (See Figures 1 and 2).

FIGURE 1: CORPORATE BOND'S OUTSTANDING VALUE BY BUSINESS SECTOR (as of Dec 27, 2013)

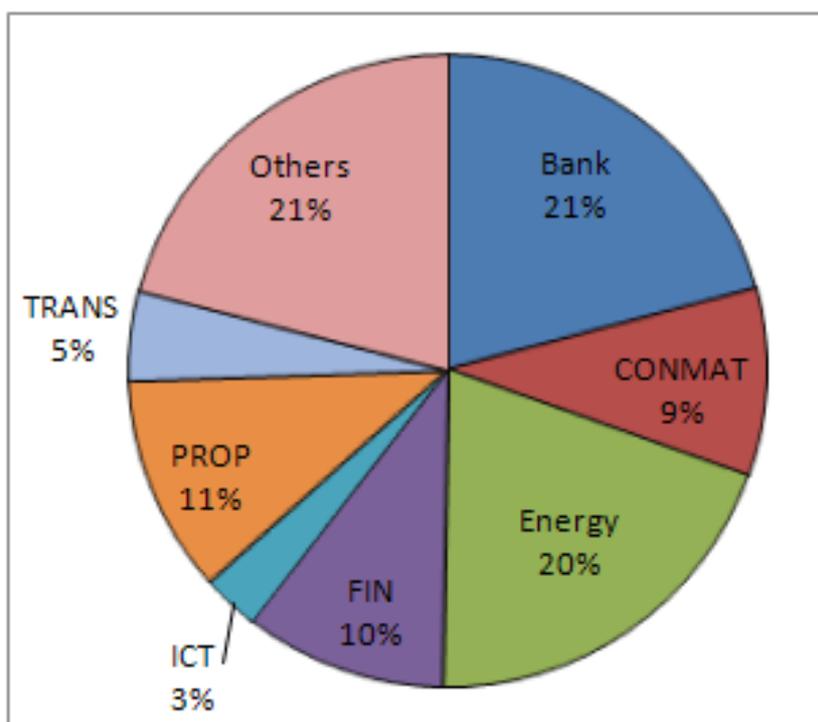
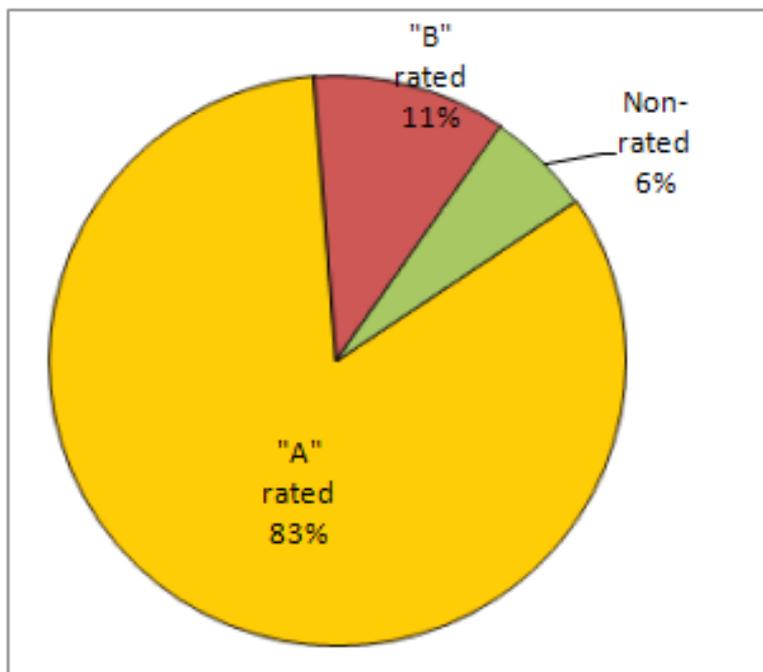


FIGURE 2: CORPORATE BOND'S OUTSTANDING VALUE BY RATING (as of Dec 27, 2013)



## II. Bond Trading Activities in 2013

In 2013, total outright trading value was THB 20,896.87 billion, 6% higher than in 2012 (*See Table 3*). Trading activities in 2013 continued to be concentrated in BOT bond, accounted for THB 14,806.30 billion or 70.85% of the total outright trading value. The government bonds accounted for THB 4,710.93 billion, followed by THB 574.36 billion of T-Bills, THB 336.63 billion of long-term corporate bonds, THB 270.70 billion of SOE bonds, THB 161.62 billion of commercial paper, and THB 36.32 billion of foreign bonds.



TABLE 3: THAIBMA OUTRIGHT TRADING AND OUTSTANDING VALUE (THB Mln) BETWEEN 2012 & 2013

Unit : THB Mln

Type	2012		2013		% Change	
	Outright Trading	Outstanding	Outright Trading	Outstanding	Trading	Outstanding
Government Bond	3,176,703	3,025,646	4,710,929	3,336,937	48%	10%
State Own Enterprise	138,331	621,715	270,704	731,585	96%	18%
T-Bills	495,919	57,755	574,356	80,000	16%	n.a
State Agency	15,537,357	3,120,495	14,806,299	2,843,377	-5%	-9%
LT Corporate bond	303,490	1,453,019	336,630	1,592,862	11%	10%
Commercial Paper	99,738	202,637	161,625	290,584	62%	43%
Foreign Bond	22,692	98,694	36,324	116,474	60%	18%
<b>Total Value</b>	<b>19,774,230</b>	<b>8,579,961</b>	<b>20,896,868</b>	<b>8,991,819</b>	<b>6%</b>	<b>5%</b>
<b>Total Value (TTM &gt; 1 year)</b>	<b>5,046,524</b>		<b>6,727,273</b>		<b>33%</b>	
- No. of trading days	245		245		0%	
- Monthly Average	420,544		560,606		33%	
- Daily Average	20,598		27,458		33%	
<b>No. of Outright Transaction</b>	<b>136,188</b>		<b>148,673</b>		<b>9%</b>	
- Monthly Average	11,349		12,389		9%	
- Daily Average	556		607		9%	
<b>Dealer Participation</b>	<b>36</b>		<b>35</b>		<b>-3%</b>	

However, total outright trading value with over 1 year maturity stood at THB 6,727.27 billion, 33% higher than in 2012. Average daily outright trading value with maturity over 1 year stood at THB 27.46 billion in 2013, 33% higher than the amount of THB 20.60 billion in 2012.

Total outright trading of long-term corporate bonds in 2013 totaled THB 336.63 billion or 1.61% of the total outright trading value. The largest portion of corporate bonds outright trading value was in Financial Institution sector (27%), followed by the Property sector (16%), Energy sector (12%), and Banking sector (7%).

### Market Participants

In 2013, 68% of the total outright trading value came from transactions between dealers and their clients, whereas 32% was inter-dealer transactions. Major active investors were Asset Management Companies (57%), following by foreign companies (FCO) (18%), domestic companies (DCO) (10%), insurance companies (4%), non-dealer financial institutions (NDL) (4%), individuals (0.3%) and others (7%).



The top ten active member dealers for outright trading with over 1 year maturity in 2013 comprised of six local commercial banks, namely: Siam Commercial Bank Plc (9.35% of market share), Bangkok Bank Plc (7.56%), Standard Chartered Bank (7.41%), Kasikorn Bank Plc (7.09%), Krung Thai Bank Plc (6.83%), TMB Bank Plc (6.48%), and four foreign commercial banks: DEUTSCHE Bank AG, Bangkok Branch (7.52%), CITI Bank (7.50%), The Hongkong and Shanghai Banking Corporation Limited (HSBC) (7.30%), and J.P. Morgan Securities (THAILAND) Limited (JPMCB) (6.24%). *(See Table 4).*

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

Ranking (2013)	Dealers	Outright Trading Value (THB Bln)	Market Share
1	SCB	938.42	9.35%
2	BBL	759.57	7.56%
3	DBBK	754.58	7.52%
4	CITI	753.47	7.50%
5	SCBT	743.77	7.41%
6	HSBC	733.13	7.30%
7	KBANK	711.80	7.09%
8	KTB	686.21	6.83%
9	TMB	650.99	6.48%
10	JPMCB	626.29	6.24%
	Other	2,682.61	26.72%
	<b>Total</b>	<b>10,040.83</b>	<b>100.00%</b>

### Market Liquidity

In 2013, the turnover ratio (outright transaction only) for all types of bonds was 2.32 times, rising from the ratio of 2.30 times in 2012. In particular, the turnover ratio of SA bonds was 5.21 times, followed by government bonds (1.41 times), commercial paper (0.56 times), SOE bonds (0.37 times), foreign bonds (0.31 times), and long-term corporate bond (0.21 times).



The top five active issues of government bonds were LB176A, LB155A, LB196A, LB21DA and LB236A (*See Table 5*), whereas the top five active SOE bonds were BAAC136B, BAAC134A, BAAC148A, BAAC153A and BAAC14OB (*See Table 6*). With regards to long-term corporate bonds, the top five active issues were TLT138A, TLT14DA, AYCAL145A, BAY142B, and THAI165A (*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
<b>Government Bond</b>							
LB176A	Loan Bond	3.47	3.66	2.68	1,008,572	5.15	27-Dec-13
LB155A	Loan Bond	1.40	2.99	2.44	732,294	4.80	27-Dec-13
LB196A	Loan Bond	5.46	4.15	2.58	704,329	3.17	27-Dec-13
LB21DA	Loan Bond	7.98	4.24	2.80	527,938	2.92	27-Dec-13
LB236A	Loan Bond	9.47	4.40	2.59	374,363	2.91	27-Dec-13

**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
<b>State Owned Enterprise Bond</b>							
BAAC136B	Guarantee	-	2.87	2.65	43,438	-	6-Jun-13
BAAC134A	Guarantee	-	2.83	2.76	19,084	-	14-Mar-13
BAAC148A	Guarantee	0.62	3.02	2.55	17,054	0.85	19-Dec-13
BAAC153A	Guarantee	1.21	3.08	2.85	16,054	0.80	18-Oct-13
BAAC14OB	Guarantee	0.83	3.10	2.76	10,632	0.64	27-Nov-13

**TABLE 7: TOP 5 MOST ACTIVE CORPORATE BONDS**

Issue	Type/ Rating	TTM (Yrs.)	High Yield (%)	Low Yield (%)	Trading Value (THB Mln)	Turnover Ratio (%)	Last Trade Date
<b>Corporate Bond</b>							
TLT138A	AAA	-	3.25	2.75	23,688	-	29-Jul-13
TLT14DA	AAA	0.96	3.35	2.95	11,668	3.89	26-Dec-13
AYCAL145A	A+	0.37	3.89	2.78	9,309	1.86	26-Dec-13
BAY142B	AAA(thai)	0.16	3.20	2.69	8,584	1.00	26-Dec-13
THAI165A	A+	2.38	4.03	3.65	7,744	3.87	3-Oct-13

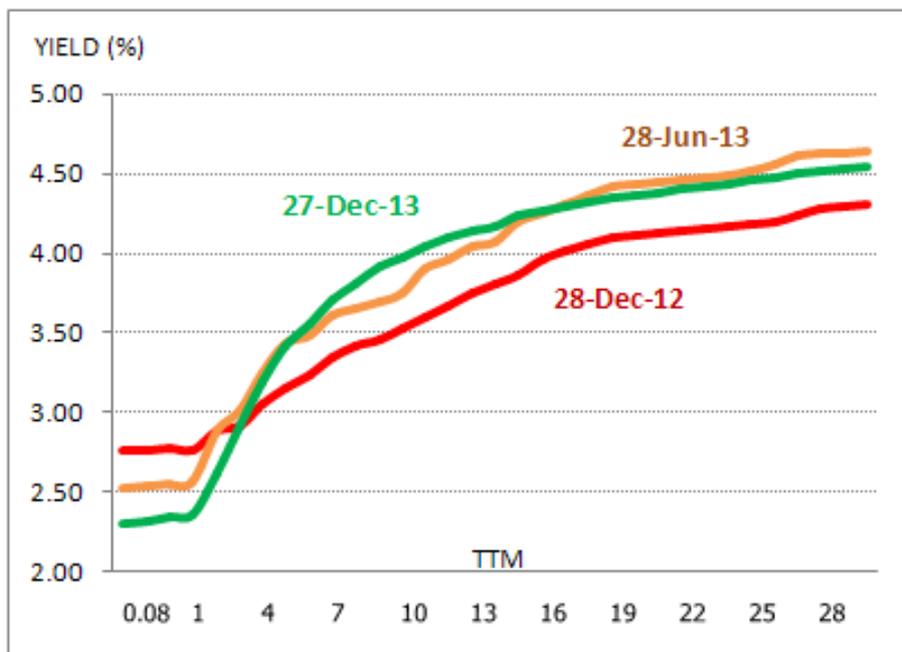


### Yield Movement and the ThaiBMA Bond Index

During the year 2013, the government yield curve had been fluctuating and become more steepened at the end of the year (*See Figure 3*). Yields of Government bonds with less than 3 year maturity sharply shifted down in the range of -26 to -46 basis points corresponding to the Bank of Thailand (BOT)'s policy rate cut of 0.50%. Specifically, the BOT's Monetary Policy Committee (MPC) decided to cut its 1-day RP rate down 2 times in May and November which led the RP rate to totally decrease by 0.50% and hold at 2.25% at the end of 2013.

Meanwhile, yields of government bonds with longer than 3 year maturity shifted up in the range of +14 to +46 basis points as a result of the foreign capital outflow. In respect of a foreign fund flow in 2013, a large amount of foreign capital flowed into the bond market almost 200,000 million baht in the beginning of 2013 and then started to flow out during the middle of the year when having market expectations pertaining to the U.S. economic stimulus package (QE)'s scaling down. After that, foreign funds flowed in and out alternately depending on QE-relating news. Until the year-end period, there were plenty of foreign capital outflows again after it seemed to be more obvious that the U.S. Federal Reserve (Fed) would taper its QE program. Another cause of increased long-maturity yields is the rising bond yields in other countries such as rising yields of U.S. Treasury.

FIGURE 3: THAIBMA GOVERNMENT BOND YIELD CURVE MOVEMENT



At the end of year 2013, ThaiBMA government bond’s clean price index closed at 101.51, with a negative return of 2.11%. 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 3.42%, 2.92%, 1.10%, 0.96%, and 2.64%, respectively. Return on corporate bonds index decreased from 4.56% in 2012 to 3.90% in 2013.



## Outlook of the Thai Bond Market in 2014 (Source: Opinion survey from underwriters and active dealers)

### I. Primary Market

The primary market is anticipated to grow continuously. THB 610,000 million of government debt securities is expected to be issued for the fiscal 2014, increasing from the amount issued in 2013. New government bond issuances are mainly used to finance the current account deficit and the rollover government debts. While, most of government's investment projects such as Infrastructure and Water Management are likely to be delayed due to currently political uncertainty.

In private sector, it tends to have more corporate companies' fund raising through the bond market in accordance with a gradually recovering Thai economic condition. New corporate debt securities' issuance is expected to be 400,000 – 420,000 million baht with the expectation of continuing low-leveled interest rate trend in 2014.

### II. Secondary Market

For yield movement in 2014, short-term yields have a chance to go down in line with implementing low interest rate domestically in order to boost the economy. However, long-tenor yields may go up in conformity with foreign capital outflow after the U.S. asset purchasing program (QE) is estimated to be tapered continuously in this year.

A main factor which inclines to have an impact on investment environment in the bond market is still an international issue, particularly QE tapering in the U.S. which is anticipated to affect a foreign capital outflow in the following period. In addition,



a domestic economic circumstance is another factor which needs to pay attention to since this will influence the domestic interest rate trend.

As a result of the QE tapering issue, foreign investors are expected to reduce their investments in Thai bond market according to concerns over a loss of liquidity. In addition, if Thailand's economic condition and the political situation still deteriorate, this will be another cause which stimulates foreign funds to flow out of Thai financial market more rapidly.



## Appendix

**TABLE 1 : SIZE OF THAILAND FINANCIAL MARKET**

Economic Indicator	2006	2007	2008	2009	2010	2011	2012	2013
Bank Loans -- THB Billion *	5,706.75	6,221.76	7,368.65	7,675.57	8,591.43	9,612.54	11,075.02	12,140.77
Equities (SET mkt. cap) -- THB Billion **	5,078.70	6,636.07	3,568.22	5,873.10	8,334.68	8,407.70	11,831.45	11,496.77
Bond Market (at par) -- THB Billion ***	4,085.26	4,885.76	5,080.05	6,114.49	6,879.48	7,327.15	8,579.96	8,991.82

**TABLE 2 : THAIBMA REGISTERED BONDS BY TTM (as of Dec 27, 2013)**

Type of Bond	TTM (Yrs.)	Outstanding (THB Bln.)	# issue
Treasury Bills	0 - 5	80.00	4
	<b>Total</b>	<b>80.00</b>	<b>4</b>
Government Bond	0 - 5	1,487.86	34
	6 - 10	1,026.23	12
	11 - 15	362.73	7
	>15	460.12	10
	<b>Total</b>	<b>3,336.94</b>	<b>63</b>
State Agency Bond	0 - 5	2,843.38	66
	<b>Total</b>	<b>2,843.38</b>	<b>66</b>
State Owned Enterprise Bond	0 - 5	498.40	297
	6 - 10	183.35	169
	11 - 15	47.83	46
	>15	2.00	2
	<b>Total</b>	<b>731.59</b>	<b>514</b>
Long-term Corporate Bond	0 - 5	992.31	476
	6 - 10	488.69	121
	11 - 15	81.77	15
	>15	30.08	7
	<b>Total</b>	<b>1,592.86</b>	<b>619</b>
Commercial Paper	0 - 5	290.58	1,048
	<b>Total</b>	<b>290.58</b>	<b>1,048</b>
Foreign Bond	0 - 5	99.94	34
	6 - 10	14.54	8
	11 - 15	2.00	2
	<b>Total</b>	<b>116.47</b>	<b>44</b>

**TABLE 3 : TOP 5 MOST ACTIVE REGISTERED BOND**

Government		State Owned Enterprise		Corporate	
Issue	THB Mln.	Issue	THB Mln.	Issue	THB Mln.
LB176A	1,008,572.19	BAAC136B	43,438.41	TLT138A	23,688.22
LB155A	732,293.51	BAAC134A	19,083.90	TLT14DA	11,668.36
LB196A	704,329.49	BAAC148A	17,054.20	AYCAL145A	9,308.83
LB21DA	527,937.91	BAAC153A	16,054.11	BAY142B	8,584.46
LB236A	374,362.99	BAAC140B	10,631.96	THAI165A	7,744.41
<b>Total</b>	<b>3,347,496.09</b>	<b>Total</b>	<b>106,262.58</b>	<b>Total</b>	<b>60,994.28</b>



**TABLE 4 : THAIBMA GOVERNMENT INTERPOLATION YIELD (%)**

Date	1 M	3 M	6 M	1 Y	2 Y	3 Y	5 Y	7 Y	10 Y	12 Y	15 Y	17 Y	20 Y	25 Y	30 Y
28-Dec-12	2.76	2.76	2.77	2.76	2.88	2.92	3.15	3.34	3.52	3.67	3.86	4.01	4.11	4.18	4.30
27-Dec-13	2.30	2.31	2.34	2.36	2.62	2.92	3.41	3.70	3.98	4.09	4.23	4.29	4.36	4.45	4.54
Change (Bps.)	↓-46	↓-45	↓-43	↓-40	↓-26	⇒ 0	↑ 26	↑ 36	↑ 46	↑ 42	↑ 37	↑ 28	↑ 25	↑ 27	↑ 24

**TABLE 5 : THAIBMA BOND INDICES**

ThaiBMA Bond Indices (point)	2012	2013	Return (%)
<b>Government Bond Index</b>			
Clean Price	103.70	101.51	↓ -2.11
Gross Price	104.63	102.26	↓ -2.27
Total Return	219.23	223.90	↑ 2.13
<b>Corporate Bond (BBB up) Index</b>			
Clean Price	104.72	104.03	↓ -0.66
Gross Price	105.64	104.94	↓ -0.66
Total Return	184.39	191.59	↑ 3.90

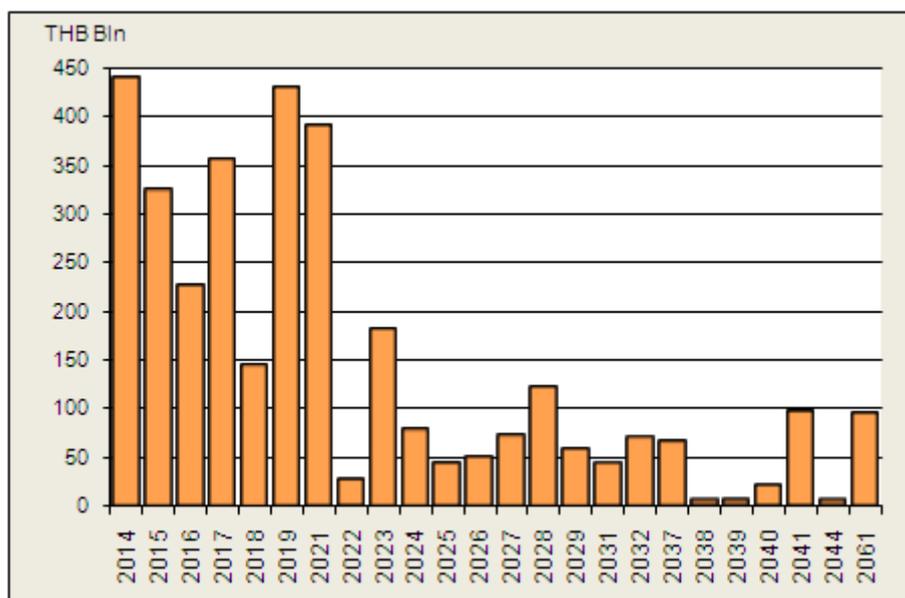
**TABLE 6 : BOND RETURN (%)**

ThaiBMA Bond Indices (point)	Return (%) - compare	
	Between 2012 & 2013	
<b>Government Bond Total Return Index</b>	↑	2.13%
<b>Maturity Sub Group</b>		
Group 1 (1 < TTM <= 3)	↑	3.42%
Group 2 (3 < TTM <= 7)	↑	2.92%
Group 3 (7 < TTM <= 10)	↑	1.10%
Group 4 (TTM > 10)	↑	0.96%
Group 5 (TTM <= 10)	↑	2.64%
<b>Investment Grade Corporate Bond Index</b>	↑	3.90%

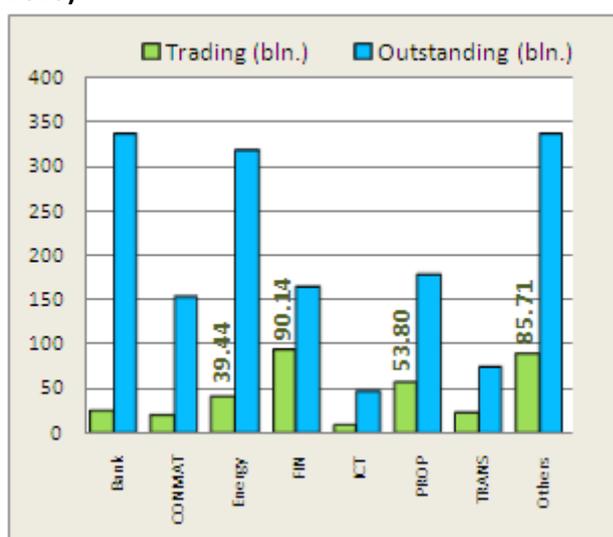
**TABLE 7 : TURNOVER RATIO (as of 28 Dec, 2012 & 27 Dec, 2013)**

Turn Over Ratio (Times)	2012	2013	Growth (%)
Government Bond	1.05	1.41	↑ 34%
Treasury Bills	8.59	7.18	↓ -16%
State Own Enterprise Bond	0.22	0.37	↑ 66%
State Agency Bond	4.98	5.21	↑ 5%
LT Corporate Bond	0.21	0.21	↑ 1%
Commercial paper	0.49	0.56	↑ 13%
Foreign Bond	0.23	0.31	↑ 36%
<b>Total</b>	<b>2.30</b>	<b>2.32</b>	<b>↑ 1%</b>

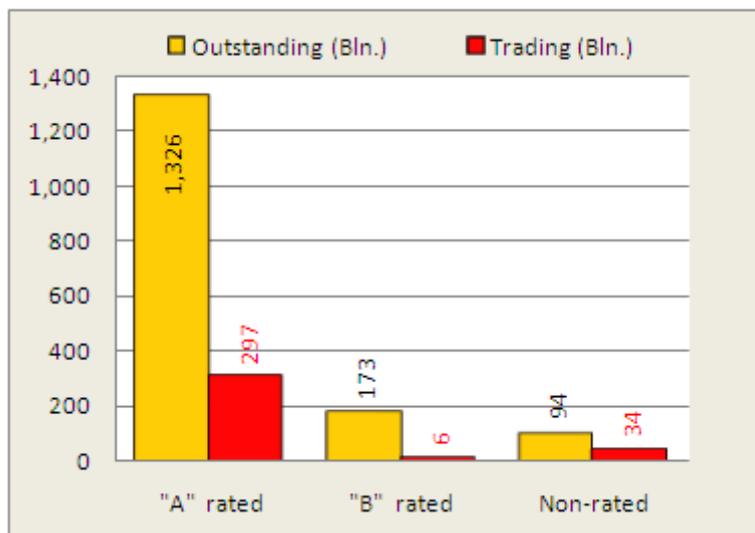
**FIGURE 1 : GOVERNMENT BOND'S OUTSTANDING BY YEAR TO EXPIRATION (as of Dec 27, 2013)**



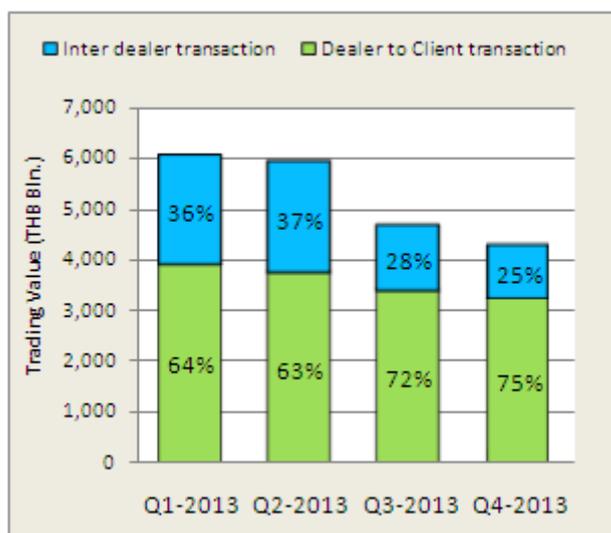
**FIGURE 2 : CORPORATE BOND'S TRADING & OUTSTANDING VALUE BY BUSINESS SECTOR (as of Dec 27, 2013)**



**FIGURE 3 : LONG-TERM CORPORATE BOND'S TRADING & OUTSTANDING VALUE BY RATING (as of Dec 27, 2013)**



**FIGURE 4 : COMPOSITION OF MARKET PARTICIPANTS (Quarterly)**



**FIGURE 5 : COMPOSITION OF DEALER TO CLIENT TRANSACTIONS**

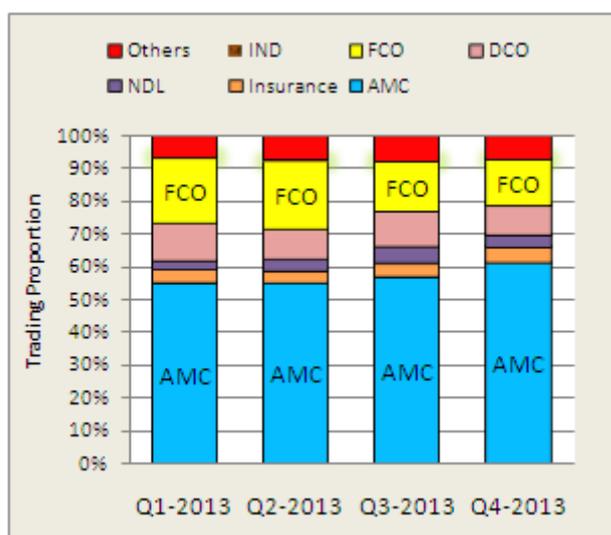
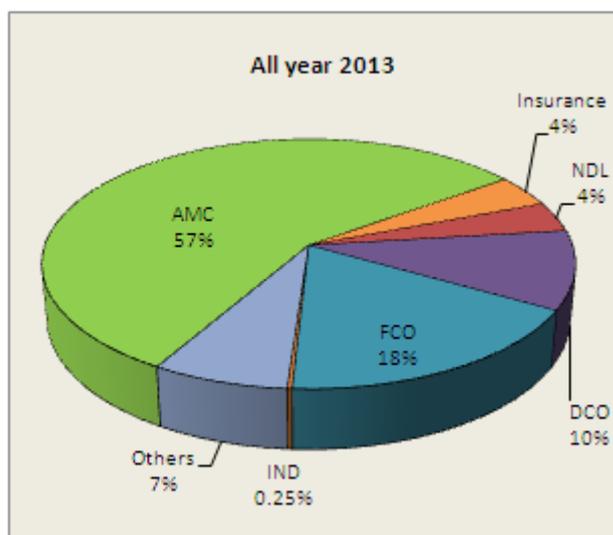


FIGURE 6 : COMPOSITION OF DEALER TO CLIENT TRANSACTIONS IN YEAR 2013



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