



Thai Bond Market Movement in 2015

I. Primary Market

Thai bond market has been growing continuously and its outstanding value equals to 10 trillion baht or increases 7.92% from last year. As many as 314 corporate firms have raise fund though corporate bond market which reached an all time high. The number of long-term corporate issuers increased from 90 companies in 2014 to 132 companies in 2015, with the issue size ranging from THB 10 million to THB 15,000 million, and the issue rating ranging from AAA to Non-rate.

On the government sector, THB 5,317.31 billion of the Bank of Thailand (BOT) bonds were auctioned in 2015, increased by 14% from the previous year. The auctioned T-Bills amounted to THB 1,065.42 billion, increased by 10%; while, government bonds totaled THB 617.32 billion, increased by 15% from the previous year. New issuance of State Owned Enterprise (SOE) bonds totaled THB 149.00 billion in 2015, dropped by 8% from those in 2014; whereas, new issuance of Commercial paper registered with ThaiBMA totaled THB 859.71 billion, or 27% lower than those in 2014. New issuances of long-term corporate bonds were THB 546.89 billion, decreased by 1% from the previous year and new issues of Foreign bonds totaled THB 25.00 billion, upper by 116% from the previous year.

Table 1: BOND ISSUANCE REGISTERED AT THAIBMA

| Type | Unit: THB Mln | | |
|---------------------------|------------------|------------------|-------------|
| | 2014 | 2015 | Growth (%) |
| Government Bond | 534,826 | 617,322 | ↑ 15% |
| Treasury Bills | 967,467 | 1,065,416 | ↑ 10% |
| State Own Enterprise Bond | 162,247 | 149,001 | ↓ -8% |
| State Agency Bond | 4,677,452 | 5,317,305 | ↑ 14% |
| Long-term Corporate Bond | 553,941 | 546,891 | ↓ -1% |
| Commercial Paper | 1,184,843 | 859,709 | ↓ -27% |
| Foreign Bond | 11,590 | 25,000 | ↑ 116% |
| Total | 8,092,366 | 8,580,644 | ↑ 6% |



Outstanding Value of ThaiBMA Registered Bonds

The total outstanding value of ThaiBMA registered bonds as of December 2015 amounted THB 10,023.04 billion, a growth of 8% from the previous year. This consisted of THB 3,724.71 billion of government bonds, THB 2,823.49 billion of State Agency (SA) bonds, THB 2,078.75 billion of long-term corporate bonds, THB 782.50 billion of SOE bonds, THB 337.42 billion of commercial papers, and THB 88.47 billion of foreign bonds (*See Table 2*).

TABLE 2: THAIBMA REGISTERED BOND OUTSTANDING

Unit: THB Mln

| Type | 2014 | 2015 | Growth |
|---------------------------|------------------|-------------------|-------------|
| Government Bond | 3,355,677 | 3,724,713 | ↑ 11% |
| Treasury Bills | 97,010 | 187,702 | ↑ 93% |
| State Own Enterprise Bond | 793,240 | 782,498 | ↓ -1% |
| State Agency Bond | 2,742,756 | 2,823,487 | ↑ 3% |
| Corporate Bond | 2,207,230 | 2,416,169 | ↑ 9% |
| -Long-term Corporate Bond | 1,835,762 | 2,078,750 | ↑ 13% |
| -Commercial Paper | 371,468 | 337,418 | ↓ -9% |
| Foreign Bond | 91,374 | 88,474 | ↓ -3% |
| Total | 9,287,288 | 10,023,042 | ↑ 8% |

The largest portion of long-term corporate bond outstanding was in Energy & Utilities (18%), followed by the Banking sector (16%), Property Development sector (13%), Construction Materials sector (10%), Commerce sector (9%), Food and Beverage sector (8%), Financial and Securities sector (8%), and Others (18%). Taking into account of the number of corporate bond issuers, the proportion of issuer rating A has decreased from 40% to 29%. On the other hand, the portion of issuer rating BBB (BBB+/BBB/BBB-) and Non-rated has increased 29% and 30% respectively. (*See Figures 1 and 2*)

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

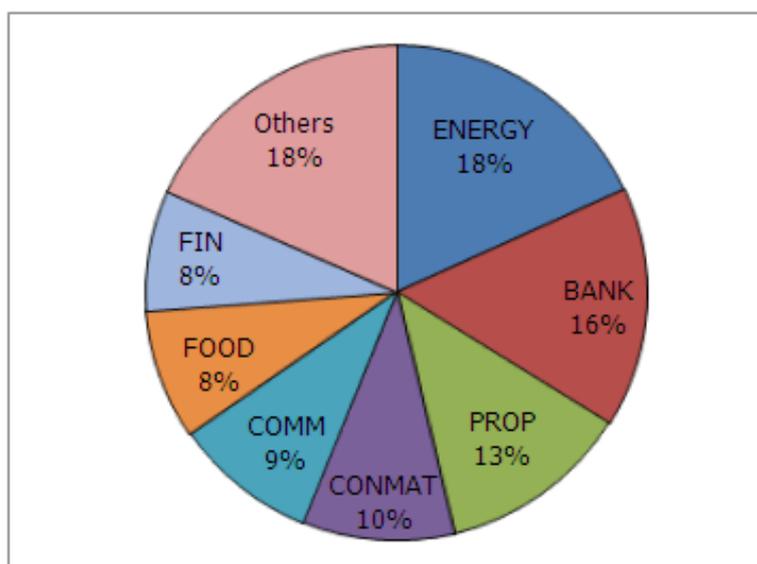
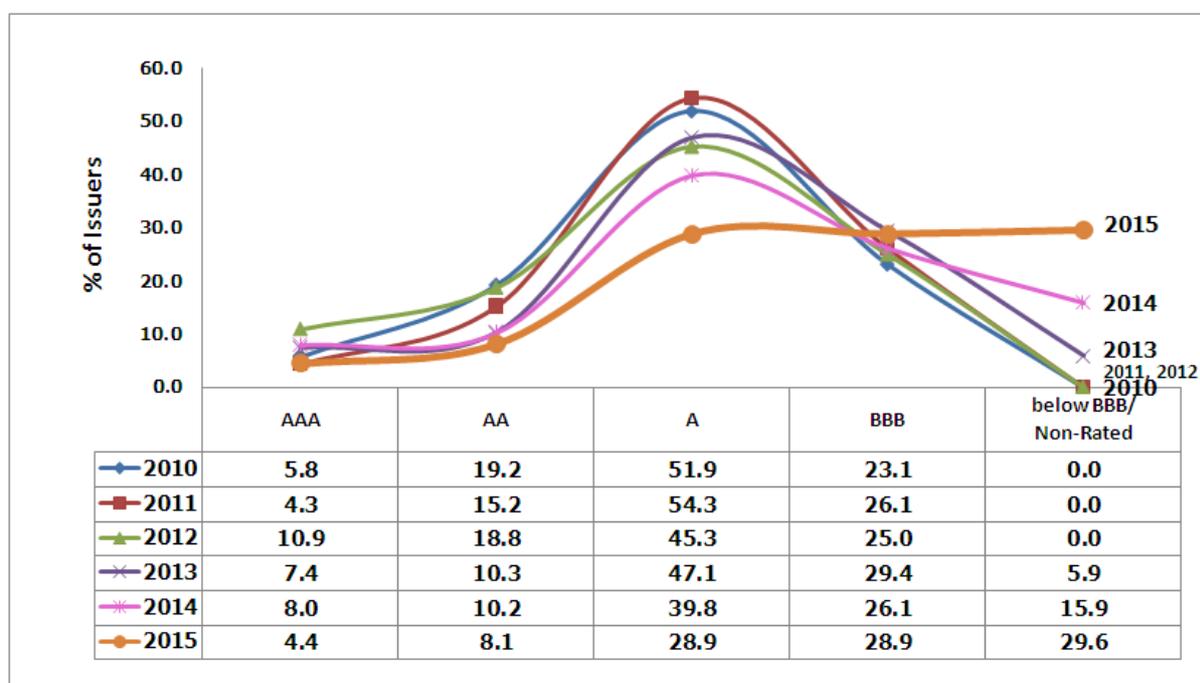


FIGURE 2: PROPORTION OF CORPORATE BOND ISSUER BY RATING





II. Bond Trading Activities in 2015

In 2015, total outright trading value was THB 19,653.84 billion, 4% upper than in 2014(See Table 3). Trading activities in 2015 continued to be concentrated in BOT bond, accounted for THB 12,615.67 billion or 64.19% of the total outright trading value. The government bonds accounted for THB 4,605.34 billion, followed by THB 1,360.93 billion of T-Bills, THB 496.35 billion of long-term corporate bonds, THB 244.73 billion of SOE bonds, THB 311.33 billion of commercial paper, and THB 19.48 billion of foreign bonds.

TABLE 3: THAIBMA OUTRIGHT TRADING AND OUTSTANDING VALUE (THB Mln) BETWEEN 2014 & 2015

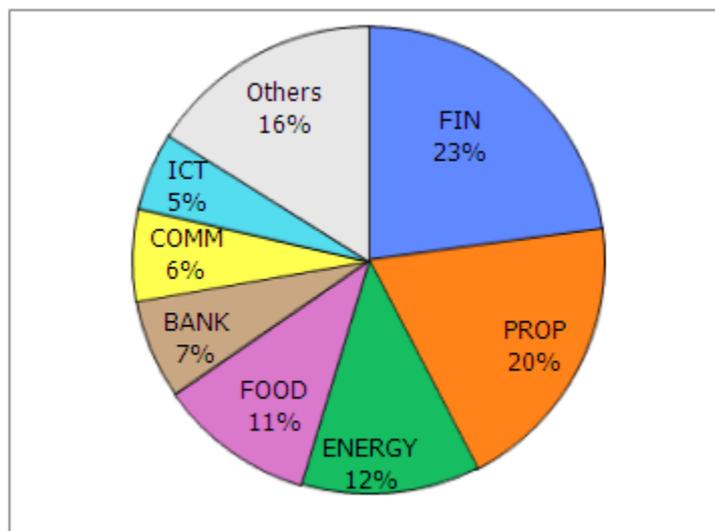
Unit : THB Mln

| Type | 2014 | | 2015 | | % Change | |
|--------------------------------------|-------------------|------------------|-------------------|-------------------|-----------|-------------|
| | Outright Trading | Outstanding | Outright Trading | Outstanding | Trading | Outstanding |
| Government Bond | 4,103,772 | 3,355,677 | 4,605,344 | 3,724,713 | 12% | 11% |
| State Own Enterprise | 236,121 | 793,240 | 244,728 | 782,498 | 4% | -1% |
| T-Bills | 1,381,692 | 97,010 | 1,360,925 | 187,702 | -2% | 93% |
| State Agency | 12,516,839 | 2,742,756 | 12,615,669 | 2,823,487 | 1% | 3% |
| LT Corporate bond | 370,752 | 1,835,762 | 496,354 | 2,078,750 | 34% | 13% |
| Commercial Paper | 221,808 | 371,468 | 311,333 | 337,418 | 40% | -9% |
| Foreign Bond | 36,234 | 91,374 | 19,484 | 88,474 | -46% | -3% |
| Total Value | 18,867,218 | 9,287,288 | 19,653,835 | 10,023,042 | 4% | 8% |
| Total Value (TTM > 1 year) | 5,998,059 | | 6,525,785 | | 9% | |
| - No. of trading days | 245 | | 243 | | -1% | |
| - Monthly Average | 499,838 | | 543,815 | | 9% | |
| - Daily Average | 24,482 | | 26,855 | | 10% | |
| No. of Outright Transaction | 145,408 | | 145,075 | | 0% | |
| - Monthly Average | 12,117 | | 12,090 | | 0% | |
| - Daily Average | 594 | | 597 | | 1% | |
| Dealer Participation | 40 | | 42 | | 5% | |

However, total outright trading value with over 1 year maturity stood at THB 6,525.79 billion, 9% upper than in 2014. Average daily outright trading value with maturity over 1 year stood at THB 26.86 billion in 2015, 10% upper than the amount of THB 24.48 billion in 2014.

Total outright trading of long-term corporate bonds in 2015 totaled THB 496.35 billion or 2.53% of the total outright trading value. The largest portion of corporate bonds outright trading value was in Financial Institution sector (23%), followed by the Property sector (20%), Energy sector (12%), and Food and Beverage sector (11%). (See Figures 3).

FIGURE 3: CORPORATE BOND'S TRADING VALUE BY BUSINESS SECTOR, 2015



Market Participants

In 2015, 74% of the total outright trading value came from transactions between dealers and their clients, whereas 26% was inter-dealer transactions. Major active investors were Asset Management Companies (65%), following by foreign companies (FCO) (10%), domestic companies (DCO) (6%), insurance companies (4%), non-dealer financial institutions (NDL) (4%), individuals (0.5%) and others (11%).

The top ten most active member dealers for outright trading with over 1 year maturity in 2015 comprised of seven local commercial banks, namely: Bangkok Bank Plc (13.18% of market share), Siam Commercial Bank Plc (7.62%), CIMB Thai Bank Plc (7.53%), Krung Thai Bank Plc (6.96%), Kasikorn Bank Plc (6.92%), TMB Bank Plc (5.73%), Standard Chartered Bank (5.56%), and three foreign commercial banks: The Hongkong and Shanghai Banking Corporation Limited (HSBC) (6.77%), Bank of America National Association (6.21%), and CITI Bank (6.17%). **(See Table 4).**

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

| Ranking | Dealers | Outright Trading Value (THB Mln) | Market Share |
|---------|--------------|-------------------------------------|----------------|
| 1 | BBL | 1,150,855.50 | 13.18% |
| 2 | SCB | 665,389.63 | 7.62% |
| 3 | CIMBT | 657,600.73 | 7.53% |
| 4 | KTB | 607,505.62 | 6.96% |
| 5 | KBANK | 603,929.25 | 6.92% |
| 6 | HSBC | 591,076.71 | 6.77% |
| 7 | BofA | 542,488.72 | 6.21% |
| 8 | CITI | 538,736.62 | 6.17% |
| 9 | TMB | 500,360.12 | 5.73% |
| 10 | SCBT | 485,142.52 | 5.56% |
| | Other | 2,386,779.19 | 27.34% |
| | Total | 8,729,864.62 | 100.00% |

Market Liquidity

In 2015, the turnover ratio (outright transaction only) for all types of bonds was 1.96 times, dropping from the ratio of 2.03 times in 2014. In particular, the turnover ratio of SA bonds was 4.47 times, followed by government bonds (1.24 times), commercial paper (0.92 times), SOE bonds (0.31 times), long-term corporate bond (0.24 times), and foreign bonds (0.22 times).

The top five most active issues of government bonds were LB196A, LB21DA, LB176A, LB236A and LB206A (*See Table 5*), whereas the top five most active SOE bonds were GGLB189A, 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 |
|------------------------|-----------------|---------------|-------------------|------------------|----------------------------|-----------------------|-----------------|
| Government Bond | | | | | | | |
| LB196A | Loan Bond | 3.45 | 2.54 | 1.72 | 1,184,840 | 392.34 | 30-Dec-15 |
| LB21DA | Loan Bond | 5.97 | 2.77 | 2.20 | 852,509 | 278.50 | 30-Dec-15 |
| LB176A | Loan Bond | 1.46 | 2.15 | 1.42 | 636,808 | 291.20 | 30-Dec-15 |
| LB236A | Loan Bond | 7.46 | 3.02 | 2.30 | 321,965 | 162.73 | 30-Dec-15 |
| LB206A | Loan Bond | 4.49 | 2.43 | 1.75 | 294,276 | 270.22 | 30-Dec-15 |

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 |
|------------------------------------|-----------------|---------------|-------------------|------------------|----------------------------|-----------------------|-----------------|
| State Owned Enterprise Bond | | | | | | | |
| GGLB189A | Guaranteed | 2.74 | 2.60 | 1.78 | 75,090 | 127.27 | 30-Dec-15 |
| GGLB16NA | Guaranteed | 0.92 | 2.27 | 1.55 | 39,154 | 56.27 | 29-Dec-15 |
| GGLB156A | Guaranteed | - | 2.12 | 1.55 | 11,792 | - | 14-May-15 |
| GGLB157C | Guaranteed | - | 2.17 | 1.52 | 7,464 | - | 9-Jul-15 |
| GGLB20NA | Guaranteed | 4.91 | 2.46 | 2.22 | 7,427 | 26.52 | 30-Dec-15 |

TABLE 7: TOP 5 MOST ACTIVE LONG TERM CORPORATE BONDS

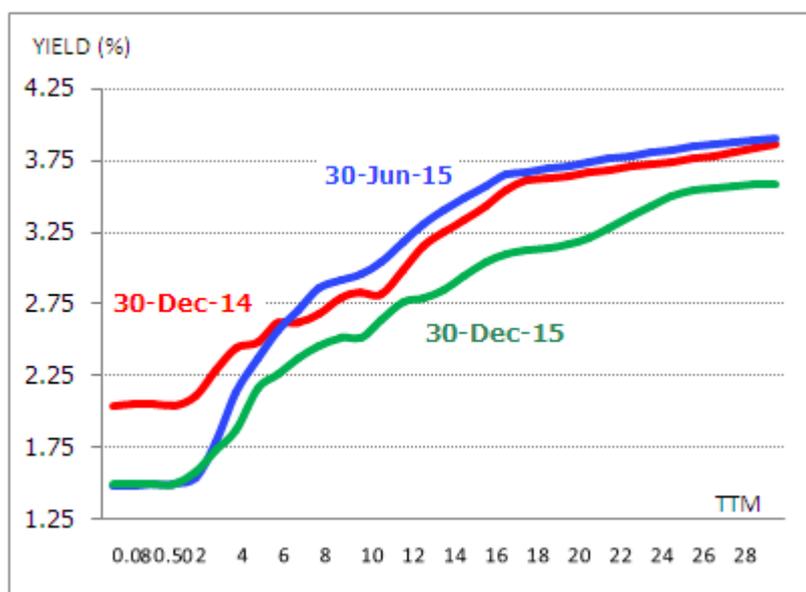
| Issue | Type/ Rating | TTM (Yrs.) | High Yield (%) | Low Yield (%) | Trading Value (THB Mln) | Turnover Ratio (%) | Last Trade Date |
|-----------------------|-----------------|---------------|-------------------|------------------|----------------------------|-----------------------|-----------------|
| Corporate Bond | | | | | | | |
| SCC184B | A | 2.25 | 4.60 | 1.92 | 10,356 | 69.04 | 30-Dec-15 |
| TLT164A | AAA | 0.32 | 2.54 | 1.58 | 8,949 | 894.90 | 24-Dec-15 |
| CPF163A | A+ | 0.21 | 2.65 | 1.63 | 8,567 | 141.37 | 25-Dec-15 |
| TLT174A | AAA | 1.31 | 3.01 | 1.68 | 8,097 | 404.85 | 18-Dec-15 |
| TLT162A | AAA | 0.13 | 2.58 | 1.56 | 7,840 | 196.01 | 23-Dec-15 |

Yield Movement and the ThaiBMA Bond Index

Comparing yield's movement of the government bond at the end of 2015 with the previous year, short-term bonds' yield decreased around 50 basis point amid the decline of policy rate (from 2.00% to 1.50%). While the yield of long-term bond (longer than 1 year) went down 20-50 basis point as economic recovery in domestic and international was slower than market's expectation (*See Figure 3*).

Throughout this year, market had concerned about the timing of the first time of FOMC to increase the policy rate after Fed keeping interest rate unchanged around 9 years. Fed waited for the strong economic data before hiking interest rate. Finally, FOMC announced to increase the policy rate from 0-0.25% to 0.25%-0.50% in December 2015. So, investors sold off the risky assets and turned back to invest in safe asset. Taking into account of nonresident bond holding, foreign capital outflowed THB 108,050 Mln. It can be seen that foreign investors hold bonds at value of 575,394 million baht which is 15.8 percent lower than the value of 683,444 million baht at the end of 2014.

FIGURE 4: THAIBMA GOVERNMENT BOND YIELD CURVE MOVEMENT



At the end of year 2015, ThaiBMA government bond’s clean price index closed at 107.89, representing year-to-date return of 1.12%. 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 3.14%, 4.37%, 4.78%, 7.15%, and 4.01%, respectively. Return on corporate bonds index decreased from 6.68% in 2014 to 4.88% in 2015.



Outlook of the Thai Bond Market in 2016 (Source: Opinion survey from underwriters and active dealers)

I. Primary Market

The primary market is anticipated to grow continuously. THB 500,000 million of government debt securities is expected to be issued for the fiscal 2016, increasing from the amount issued in 2015. New government bond issuances are mainly used to finance the current account deficit and the rollover government debts.

In private sector, it tends to have more corporate companies' raising fund through the bond market in accordance with a gradually recovering Thai economic condition. New corporate debt securities' issuance is expected to be 520,000-550,000 million baht with the expectation of continuing low-leveled interest rate trend in 2016.

II. Secondary Market

For yield movement in 2016, short-terms yield maybe unchanged at least the first half of 2016 since Thai MPC will remain policy rate at low level in order to stimulate the economy. While long-terms yield may increase in the same direction of the world economic recovery, especially US, EU.



Appendix

TABLE 1 : SIZE OF THAILAND FINANCIAL MARKET

| Economic Indicator | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|----------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|
| 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 | 12,609.29 | 13,040.28 |
| 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 | 13,856.28 | 12,282.75 |
| 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 | 9,287.29 | 10,023.04 |

Source : * Bank of Thailand ** SET ***ThaiBMA

TABLE 2 : THAIBMA REGISTERED BONDS BY TTM (as of Dec 30, 2015)

| Type of Bond | TTM (Yrs.) | Outstanding (THB Bln.) | # issue |
|-----------------------------|--------------|------------------------|--------------|
| Treasury Bills | 0 - 5 | 187,702.00 | 14 |
| | Total | 187,702.00 | 14 |
| Government Bond | 0 - 5 | 1,455,688.78 | 23 |
| | 6 - 10 | 1,049,520.78 | 13 |
| | 11 - 15 | 472,050.00 | 5 |
| | >15 | 747,452.98 | 11 |
| | Total | 3,724,712.54 | 52 |
| State Agency Bond | 0 - 5 | 2,823,487.14 | 58 |
| | Total | 2,823,487.14 | 58 |
| State Owned Enterprise Bond | 0 - 5 | 544,564.72 | 280 |
| | 6 - 10 | 179,117.00 | 147 |
| | 11 - 15 | 50,816.00 | 27 |
| | >15 | 8,000.00 | 4 |
| | Total | 782,497.72 | 458 |
| Long-term Corporate Bond | 0 - 5 | 1,388,825.85 | 793 |
| | 6 - 10 | 610,774.62 | 170 |
| | 11 - 15 | 39,150.00 | 10 |
| | >15 | 40,000.00 | 7 |
| | Total | 2,078,750.47 | 980 |
| Commercial Paper | 0 - 5 | 337,418.20 | 1,429 |
| | Total | 337,418.20 | 1,429 |
| Foreign Bond | 0 - 5 | 67,472.80 | 28 |
| | 6 - 10 | 21,001.20 | 10 |
| | Total | 88,474.00 | 38 |

TABLE 3 : TOP 5 MOST ACTIVE REGISTERED BOND

| Government | | State Owned Enterprise | | Corporate | |
|--------------|---------------------|------------------------|-------------------|--------------|------------------|
| Issue | THB Mln. | Issue | THB Mln. | Issue | THB Mln. |
| LB196A | 1,184,839.63 | GGLB189A | 75,090.14 | SCC184B | 10,355.98 |
| LB21DA | 852,509.41 | GGLB16NA | 39,154.25 | TLT164A | 8,948.96 |
| LB176A | 636,807.65 | GGLB156A | 11,791.70 | CPF163A | 8,567.27 |
| LB236A | 321,964.58 | GGLB157C | 7,463.93 | TLT174A | 8,096.92 |
| LB206A | 294,276.43 | GGLB20NA | 7,426.84 | TLT162A | 7,840.34 |
| Total | 3,290,397.71 | Total | 140,926.85 | Total | 43,809.47 |



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 |
|---------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 30-Dec-14 | 2.04 | 2.05 | 2.05 | 2.04 | 2.11 | 2.28 | 2.48 | 2.62 | 2.83 | 2.99 | 3.33 | 3.54 | 3.65 | 3.74 | 3.86 |
| 30-Dec-15 | 1.50 | 1.50 | 1.50 | 1.50 | 1.57 | 1.73 | 2.16 | 2.37 | 2.51 | 2.76 | 2.94 | 3.10 | 3.16 | 3.50 | 3.59 |
| Change (Bps.) | ↓-55 | ↓-55 | ↓-55 | ↓-55 | ↓-54 | ↓-56 | ↓-33 | ↓-24 | ↓-32 | ↓-22 | ↓-38 | ↓-45 | ↓-48 | ↓-24 | ↓-27 |

TABLE 5 : THAIBMA BOND INDICES

| ThaiBMA Bond Indices (point) | 2014 | 2015 | Return (%) |
|--------------------------------------|--------|--------|------------|
| Government Bond Index | | | |
| Clean Price | 106.70 | 107.89 | ↑ 1.12 |
| Gross Price | 107.33 | 108.42 | ↑ 1.02 |
| Total Return | 244.94 | 257.42 | ↑ 5.10 |
| Corporate Bond (BBB up) Index | | | |
| Clean Price | 106.18 | 106.72 | ↑ 0.51 |
| Gross Price | 107.14 | 107.68 | ↑ 0.50 |
| Total Return | 204.39 | 214.36 | ↑ 4.88 |

TABLE 6 : BOND RETURN (%)

| ThaiBMA Bond Indices (point) | Return (%) - compare | |
|--|----------------------|--|
| | Between 2014 & 2015 | |
| Government Bond Total Return Index | ↑ 5.10% | |
| Maturity Sub Group | | |
| Group 1 (1 < TTM <= 3) | ↑ 3.14% | |
| Group 2 (3 < TTM <= 7) | ↑ 4.37% | |
| Group 3 (7 < TTM <= 10) | ↑ 4.78% | |
| Group 4 (TTM > 10) | ↑ 7.15% | |
| Group 5 (TTM <= 10) | ↑ 4.01% | |
| Investment Grade Corporate Bond Index | ↑ 4.88% | |

TABLE 7 : TURNOVER RATIO (as of 30 Dec, 2014 & 30 Dec, 2015)

| Turn Over Ratio (Times) | 2014 | 2015 | Growth (%) |
|---------------------------|-------------|-------------|--------------|
| Government Bond | 1.22 | 1.24 | ↑ 1% |
| Treasury Bills | 14.24 | 7.25 | ↓ -49% |
| State Own Enterprise Bond | 0.30 | 0.31 | ↑ 5% |
| State Agency Bond | 4.56 | 4.47 | ↓ -2% |
| LT Corporate Bond | 0.20 | 0.24 | ↑ 18% |
| Commercial paper | 0.60 | 0.92 | ↑ 55% |
| Foreign Bond | 0.40 | 0.22 | ↓ -44% |
| Total | 2.03 | 1.96 | ↓ -3% |

FIGURE 1 : GOVERNMENT BOND'S OUTSTANDING BY YEAR TO EXPIRATION (as of Dec 30, 2015)

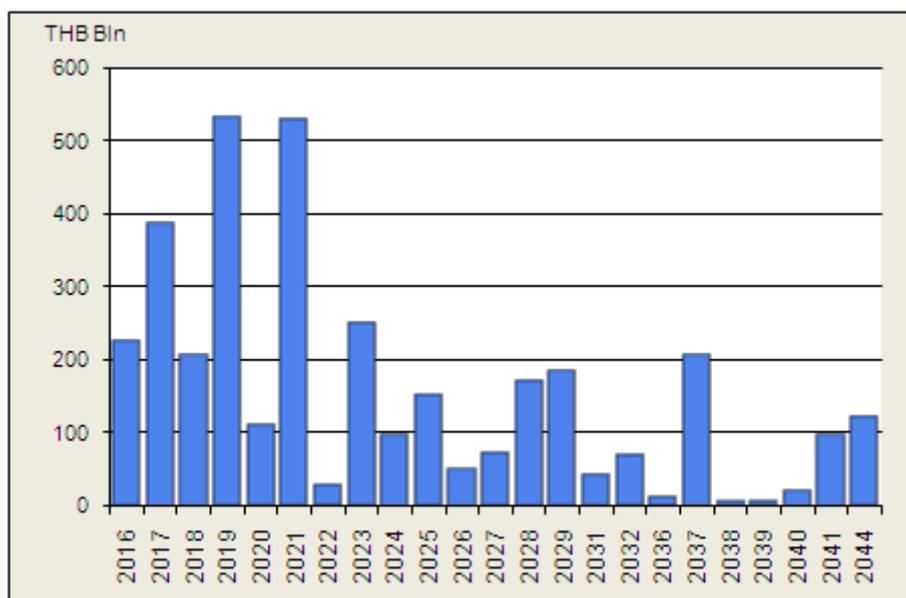


FIGURE 2 : LONG-TERM CORPORATE BOND'S TRADING & OUTSTANDING VALUE BY BUSINESS SECTOR (as of Dec 30, 2015)

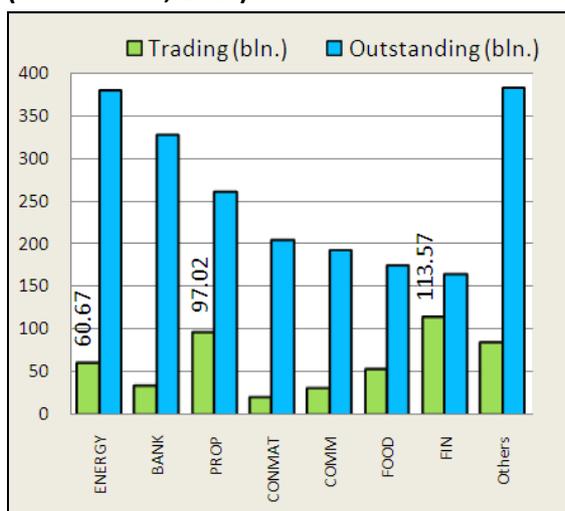


FIGURE 3 : COMPOSITION OF MARKET PARTICIPANTS (Quarterly)

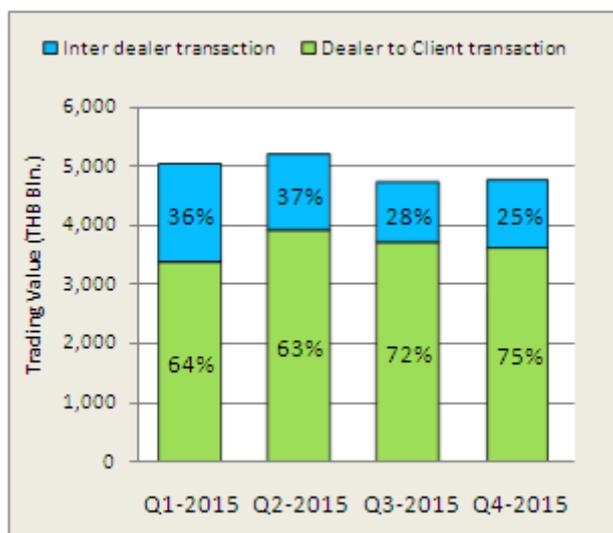


FIGURE 4: COMPOSITION OF DEALER TO CLIENT TRANSACTIONS

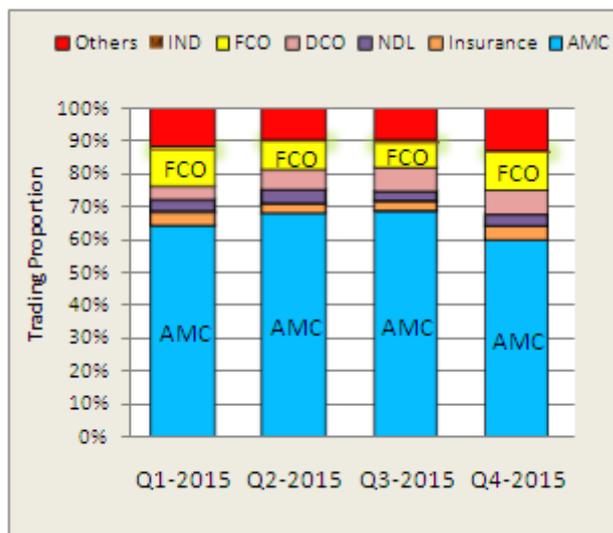
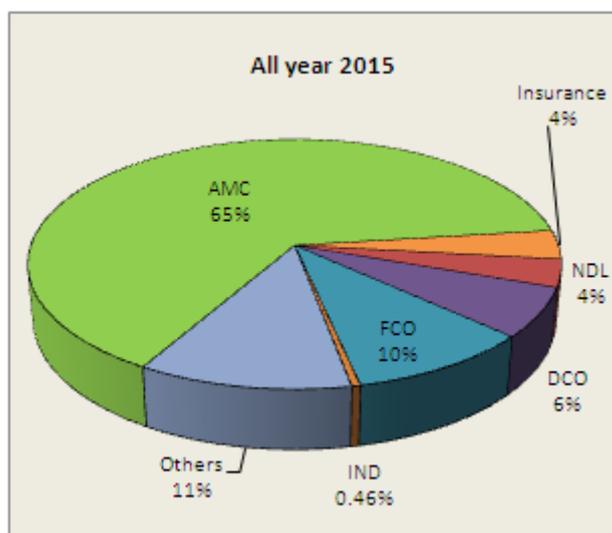


FIGURE 5 : COMPOSITION OF DEALER TO CLIENT TRANSACTIONS IN YEAR 2015



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