Market Convention

Thai bond Market

1. Pricing Formula for Fixed Rate Bond

1.1 Straight bond:

$$Gross\ price = \sum_{i=0}^{n-1} \frac{\frac{g}{H}}{(1+\frac{y}{100 \times H})^{(i+\frac{DSC \times H}{365})}} + \frac{100+(g \times \frac{DCD}{365})}{(1+\frac{y}{100 \times H})^{(n-1+\frac{(DSC+DCD) \times H}{365})}}$$

1.2 Amortizing bond:

$$Gross\ price = \sum_{i=0}^{n-1} \frac{CF_i}{(1+\frac{y}{100 \times H})^{(i+\frac{DSC \times H}{365})}} + \frac{CF_{last}}{(1+\frac{y}{100 \times H})^{(n-1+\frac{(DSC+DCD) \times H}{365})}}$$

2. Pricing Formula for Floating Rate Note (FRN)

$$Gross\ price = \frac{1}{\left[1+\frac{(I+DM)}{100 \times H}\right]^{\frac{(DSC \times H)}{365}}} \times (k + \sum_{i=1}^{n-1} \frac{(I+QM)}{H} \times V^i + 100 \times V^{n-1})$$

Where:

DSC	:	Days from settlement date to next coupon date
DCS	:	Days from previous coupon date to settlement date
DCD	:	Days from last coupon date to maturity date
y	:	Yield to maturity
H	:	Number of coupon payments per year
g	:	Annual coupon rate

n	:	Number of future coupon payments
QM	:	Quoted margin (%)
I	:	Reference rate
K	:	Next coupon interest rate, which was fixed on the previous reset date
k	:	Next coupon payment, (k = K/H)
CF_i	:	Cash flow at period i
V	:	Discount factor,　V = 1/ [1+ (I+DM)/h]
DM	:	Required Discounted Margin (%)