

Thai Bond Market Movement in 2008

I. Primary Market

New issues of long-term corporate bonds registered with the ThaiBMA in 2008 increased to the highest level since corporate bonds has been issued in Thailand.

The total new issues of registered bonds at the ThaiBMA were at THB 11,231.70 billion in 2008, 78.85% higher than the amount of THB 6,279.88 billion in 2007 (See Table 1). THB 9,202.38 billion of the Bank of Thailand (BOT) bonds were auctioned off in 2008, up by 123.27% from the previous year. T-Bills New issuance registered bonds totaled THB 421.0 billion, or 23.87% lower than those in 2007. The auctioned government bonds amounted to THB 228.09 billion; down by 30.93% from the previous year, while State Owned Enterprise (SOE) new issuance bonds totaled THB 122.08 billion in 2008, up by 28.74% from those in 2007. New issuance of long-term corporate bonds were THB 260.85 billion, increasing by 33.89% from the previous year. The number of new long-term corporate issues decreased from 92 issues of 43 companies in 2007 to 77 issues of 37 companies in 2008, with the issue size ranging from THB 64 million to THB 20,000 billion, and the issue rating ranging from AAA to BBB+.

Table 1 : New Issuance Registered Bond at ThaiBMA

Type	2007	2008	Growth (%)
Government Bond	330,216.02	228,091.99	-30.93%
Treasury Bills	553,000.00	421,000.00	-23.87%
State Own Enterprise Bond	94,834.29	122,085.28	28.74%
State Agency Bond	4,121,548.58	9,202,384.03	123.27%
Long-term Corporate Bond	194,820.26	260,846.00	33.89%
Commercial Paper	975,687.09	979,207.89	0.36%
Foreign Bond	9,774.00	18,088.00	85.06%
Total	6,279,880.23	11,231,703.19	78.85%

Source : ThaiBMA

Outstanding Value of ThaiBMA Registered Bonds

The total outstanding value of ThaiBMA registered bonds as of December 2008 amounted THB 4,854.62 billion, representing a slight increase of 3.31% from the previous year. This total outstanding value consisted of THB 1,808.39 billion of government bonds, THB 1,465.46 billion of State Agency (SA) bonds, THB 793.64 billion of long-term corporate bonds, THB 518.48 billion of SOE bonds, THB 143.69 billion of commercial papers, THB 81 billion of T-Bills and THB 43.96 billion of foreign bonds (See Table 2).

Table 2 : ThaiBMA Registered Bond Outstanding Value

Type	2007	2008	Growth (%)
Government Bond	1,717,248.55	1,808,390.55	5.31%
Treasury Bills	114,000.00	81,000.00	-28.95%
State Own Enterprise Bond	519,708.42	518,476.78	-0.24%
- Guaranteed	342,275.30	379,107.28	10.76%
- Non Guaranteed	177,433.12	139,369.50	-21.45%
State Agency Bond	1,425,199.58	1,465,459.61	2.82%
Corporate Bond	896,849.28	937,335.59	4.51%
- Long-term Corporate Bond	678,667.87	793,640.85	16.94%
- Commercial Paper	218,181.41	143,694.74	-34.14%
Foreign Bond	25,874.00	43,962.00	69.91%
Total	4,698,879.83	4,854,624.53	3.31%

Source : ThaiBMA

The largest portion of long-term corporate bonds outstanding was in the Banking sector (21%), followed by Energy sector (20%), construction material sector (14%), Financial Institution sector (9%), Property sector (7%), Transportation and Logistics (7%), Information and communication Technology (6%), and Others (16%). In term of credit rating, the majority of corporate bonds are A-rated bonds, accounting for THB 757.74 billion or 96% of the total outstanding value. The remaining 4% consisted of THB31.40 billion of B-rated bonds (3%) and THB 4.50 billion (1%) (See Figures 1 and 2).

Figure 1 : Corporate Bond's Outstanding Value by Business Sector (as of Dec 30, 2008)

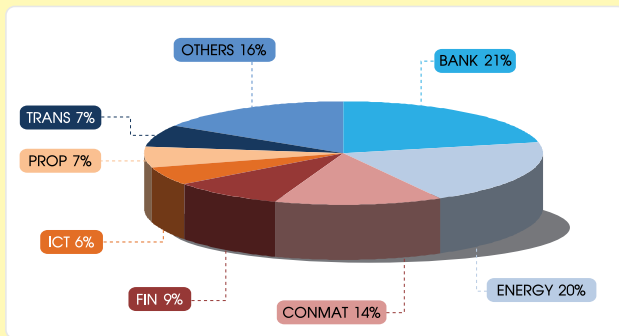
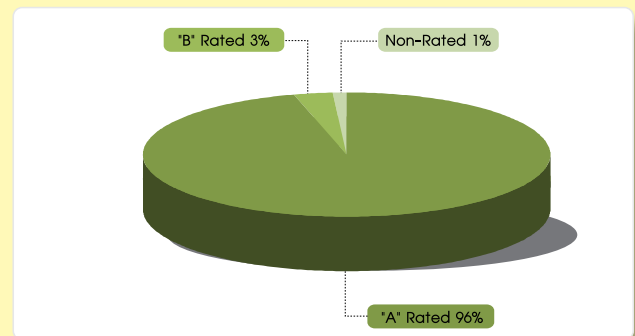


Figure 2 : Corporate Bond's Trading & Outstanding Value by Rating (as of Dec 30, 2008)



II. Bond Trading Activities in 2008

In 2008, total outright trading value was THB 17,362.28 billion, 65% higher than in 2007 (See Table 3). Average daily outright trading value amounted to THB 70.29 billion in 2008, up by 64% from the previous year. Meanwhile, average daily outright trading which excluded SA bonds' trading value, stood at THB 7.82 billion in 2008, 10% lower than the amount of THB 8.68 billion in 2007. Trading activities in 2008 were concentrated in BOT bond, accounted for THB 15,431.79 billion or 89% of the total outright trading value. This was followed THB 1,172.89 billion of government bonds, THB 542.25 billion of T-bills, THB 115.39 billion of long-term corporate bonds,

THB 95.20 billion of SOE bonds, and THB 4.76 billion of foreign bonds. With regards to SOE bonds, the total outright trading value of guaranteed SOE bonds and non-guaranteed SOE bonds were worth THB 77.95 billion and THB 17.25 billion, respectively.

Total outright trading of long-term corporate bonds in 2008 totaled THB 115.39 billion or 0.66% of the total outright trading value. The largest portion of corporate bonds outright trading value was in the Financial Institution sector (14%), followed by Energy sector (13%) and Banking sector (10%).

Table 3 : ThaiBMA Outright Trading & Outstanding Value in 2007-2008 (THB Mln)

Type	2007		2008		% Change	
	Outright Trading	Outstanding	Outright Trading	Outstanding	Trading	Outstanding
Government	1,112,263.01	1,717,248.55	1,172,889.12	1,808,390.55	5%	5%
State enterprise	71,795.90	519,708.42	95,202.54	518,476.78	33%	0%
- Guaranteed	45,756.43	342,275.30	77,951.62	379,107.28	70%	11%
- Non-guaranteed	26,039.47	177,433.12	17,250.92	139,369.50	-34%	-21%
T-Bills	799,731.23	114,000.00	542,249.51	81,000.00	-32%	-29%
State agency	8,406,201.12	1,425,199.58	15,431,787.17	1,465,459.61	84%	3%
Corporate	135,136.74	896,849.28	115,389.06	937,335.59	-15%	5%
Foreign Bond	7,359.78	25,874.00	4,758.45	43,962.00	-35%	70%
Total Value	10,532,487.79	4,698,879.83	17,362,275.85	4,854,624.53	65%	3%
- Monthly Average	877,707.32		1,446,856.32		65%	
- No. of trading days	245.00		247.00		1%	
- Daily Average	42,989.75		70,292.61		64%	
No. of Outright Transaction	83,794		100,012		19%	
- Monthly Average	6,983		8,334		19%	
- Daily Average	342		405		18%	
Dealer Participation	36		35		-3%	

Source : ThaiBMA

Market Participants

In 2008, 63% of the total outright trading value, or THB 10,960.25 billion, came from transaction between dealers and their clients, whereas 37% or THB 6,400.76 billion was from the transaction among dealers themselves. Major investors trading bonds with dealers were Asset Management Companies (59%), domestic companies (DCO)(22%), insurance companies (3%), non-dealer financial institutions (NDL) (2%), foreign companies (FCO) (2%), individuals (1%) and others (11%).

The top ten active member dealers in 2008 for outright transactions in bonds with maturity over 1 year comprised eight domestic banks, namely, Kasikorn Bank Plc (14.39% of market share), Siam Commercial Bank Plc (13.24%), Standard Chartered Bank (10.61%); Bangkok Bank Plc (7.48%), Tisco Bank Plc (7.38%), Bank Thai Plc (6.76%), United Overseas Bank (Thai) Plc (6.12%), the Hongkong and Shanghai Banking (6.04%), and two foreign banks: Deutsche Bank (5.23%), Citibank N.A. (4.73%) and (See Table 4).

Table 4 : Top 10 Active Member Dealers in 2008

Rank	Dealers	% Market Share Output	Trading Value (THB Billion) Outright
1	KBANK	14.39%	401,690.52
2	SCB	13.24%	369,473.56
3	SCBT	10.61%	296,071.35
4	BBL	7.48%	208,714.94
5	TISCO	7.38%	205,908.41
6	BT	6.76%	188,732.47
7	UOBT	6.12%	170,651.68
8	HSBC	6.04%	168,417.82
9	DBBK	5.23%	145,996.50
10	CITI	4.73%	131,853.09
	Other	18.02%	503,005.35
	Total	100.00%	2,790,515.69

Source : ThaiBMA

Market Liquidity

In 2008, the turnover ratio (outright transaction only) for all types of bonds was 3.58 times, up by 59.56% from the ratio of 2.24 times in 2007. In particular, the turnover ratio of SA bonds was 10.53 times, followed by that of T-Bills (6.69 times), government bonds (0.65 times), SOE bonds (0.18 times), corporate bonds which consisted of long-term corporate bonds and commercial papers (0.12 times), and Foreign bonds (0.11 times).

The top five active issues of government bonds were LB133A, LB183B, LB137A, LB095C and LB145B (See Table 5), whereas the top five active SOE bonds were EGAT094A, ETA08DA, SRT117A, NHA133A and EGAT106A (See Table 6). With regards to long-term corporate bonds, the top five active issues were MMTH08DA, TOP126A, BAY103A, THAI115A and AIS119A (See Table 7).

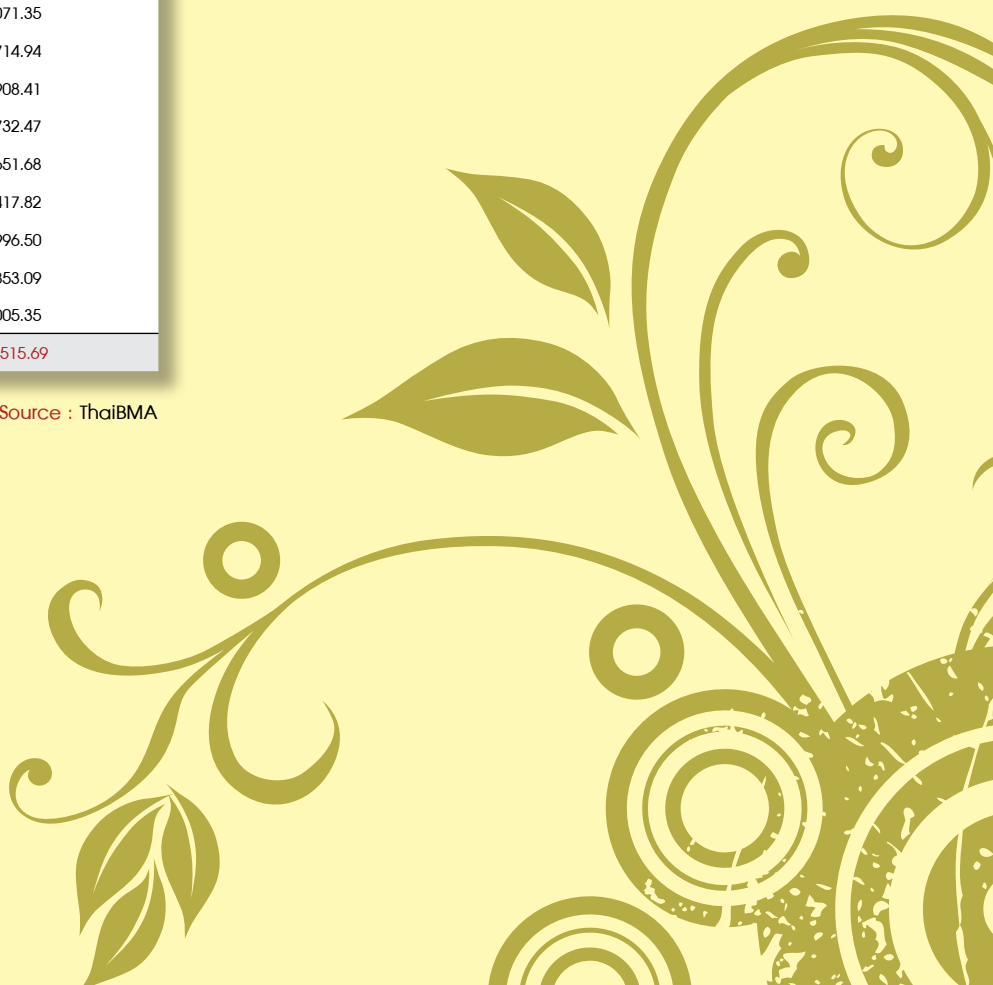


Table 5 : Top 5 Most Active Government Bond

Issue	Type / rating	TTM (Yrs.)	YTM (%)	Trading Value (THB Min)	% of Total Trading	Turnover Ratio	Last Trade Date
Government Bond							
LB133A	GB	4.21	2.210000	306,577.04	1.77	3.10	26/12/08
LB183B	GB	9.21	2.400000	173,456.19	1.00	2.77	30/12/08
LB137A	GB	4.54	2.000000	69,506.46	0.40	1.34	30/12/08
LB095C	GB	0.37	1.850000	64,050.11	0.37	1.54	30/12/08
LB145B	GB	5.37	1.945000	63,409.31	0.37	0.95	30/12/08

Source : ThaiBMA

Table 6 : Top 5 Most Active State Owned Enterprise Bond

Issue	Type / rating	TTM (Yrs.)	YTM (%)	Trading Value (THB Min)	% of Total Trading	Turnover Ratio	Last Trade Date
State Owned Enterprise Bond							
EGAT094A	G	0.39	3.350000	2,050.41	0.01	2.05	11/11/08
ETA08DA	G	0.08	3.455000	2,049.74	0.01	2.05	7/11/08
SRT117A	G	2.59	2.500000	1,775.46	0.01	1.78	9/12/08
NHA133A	G	4.25	2.850000	1,706.13	0.01	1.14	11/12/08
EGAT106A	G	1.55	3.195000	1,554.31	0.01	0.78	1/12/08

Source : ThaiBMA

Table 7 : Top 5 Most Active Corporate Bond

Issue	Type / rating	TTM (Yrs.)	YTM (%)	Trading Value (THB Min)	% of Total Trading	Turnover Ratio	Last Trade Date
Corporate Bond							
MMTH08DA	SEC/AAA(tha)	0.1	3.707500	2,736.43	0.02	0.55	3/11/08
TOP126A	/AA-(tha)	3.75	4.822500	2,624.75	0.02	0.87	4/9/08
BAY103A	/AA-(tha)	1.27	4.650000	2,361.80	0.01	0.22	11/12/08
THAI115A	/A+	2.38	4.000000	1,903.63	0.01	0.32	25/12/08
AIS119A	/AA	2.69	4.190000	1,584.73	0.01	0.40	29/12/08

Source : ThaiBMA

Yield Movement and the ThaiBMA Bond Index

In 2008, government yield curves had been fluctuating due to interest rate uncertainty. The Bank of Thailand Monetary Policy Committee (MPC) increased its 1-day RP rate by 0.25% in July and another 0.25% in August, in order to reduce inflation risk and attain inflation target after world crude oil prices raised significantly. As a result, yield curve shifted up along with the increased domestic interest rate. However, since the global financial crisis seemed to worsen, central banks around the world started to battle recession by reducing their benchmark interest rates which may stimulate lending and bolster their economies. On December 3rd the central bank of Thailand cut 1-day RP rate sharply by 1%, therefore government yield curves shifted down and flatten. At the end of December 2008, the yield of short-term bonds with 1 month to 3 years maturity

decreased in the range of -99 to -199 bps, the medium-term bond with 5-10 years maturity were down by -219 to -227 bps, and the long-term bond with more than 10 years maturity decreased by -201 to -225 bps.

The ThaiBMA government clean price index closed the year 2008 at 111.64, with a positive return of 13.11%. 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 7.87%, 15.38%, 24.21%, 30.42%, and 14.24%, respectively. Corporate bond clean price index closed at 106.07 at the end of December 2008 with a positive return of 2.76%. Also, total returns on corporate bonds index rose from 7.35% in 2007 to 8.05% in 2008.

Outlook of the Thai Bond Market in 2009 (Source: Opinion survey from underwriters and active dealers by the ThaiBMA)

I. Primary Market

THB 535,690 million will be issued as government debt securities for the fiscal 2009 to cover the government budget deficit and for debt restructuring. Meanwhile, the BOT bonds are projected to be issued no more than the amount of the previous year while SOE bonds issuance are likely to decrease by 32%.

In private sector, new issuance of corporate debt securities is expected to decrease due to economic recession and likely to concentrate on the short-end with maturity not over 5 years. Since investors are still concerned about price and credit risks, short-term bonds are preferred to long-term corporate bonds.

II. Secondary Market

Due to the global financial crisis and domestic political problem, it is expected that funds in the equity market will be shifted toward the bond market for investing in safe assets such as government bonds. Market also expects that MPC will continue to cut its benchmark rate to revive the economy. As a result, trading activities in the secondary bond market is expected to expand from the previous year.

Corporate spread is likely to widen indicating continued market concern over credit risk. However, as return on government bonds remains low and stock market sentiment is sluggish, trading of corporate bonds is expected to pick up as they offer interesting alternatives for investors seeking to enhance returns in this low-interest environment.

