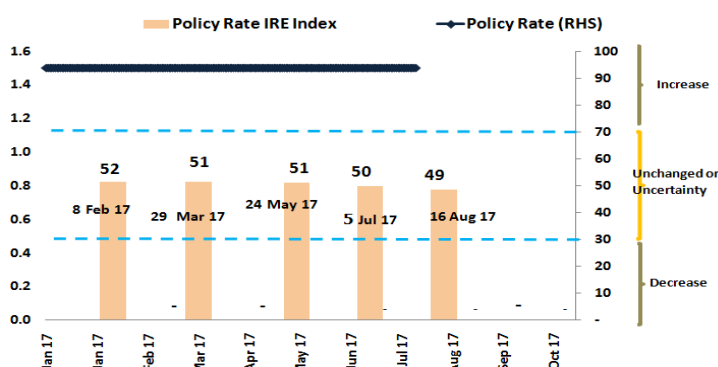


#### ♣ Interest Rate Expectation Index for August 2017 ♣

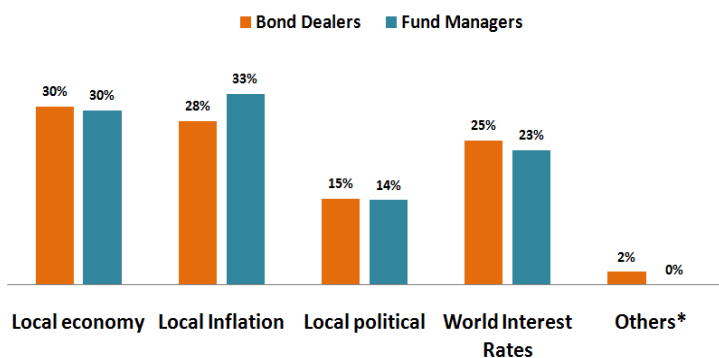
The Interest Rate Expectation Index for the Bank of Thailand’s Monetary Policy Committee (MPC) meeting in August stands at 49, reflecting that the market remains confident that the MPC policy rate will be maintained at 1.50%, due to two primary factors: 1) the inflation rate trend remains low under the policy framework; and 2) Thai economic growth should proceed gradually. Meanwhile, Interest Rate Expectation Indices for 5-year and 10-year government bond yields through the September MPC meeting (9 weeks hence) are at 74 and 75 respectively, which are lower than the previous levels of 84 and 83. These values reflect that the market is less confident that there will be any increase in yields for the both the 5-year and 10-year government bonds from current levels.

#### Policy Rate IRE Index compared Policy Rate



♣ The Interest Rate Expectation Index for the next Bank of Thailand MPC meeting being held **August 16, 2017 stands at 49**, remaining in the **unchanged** range, thus reflecting market sentiment that the MPC will leave the **policy rate at 1.5%**. Bond dealers and fund managers responding to the survey had the same consensus.

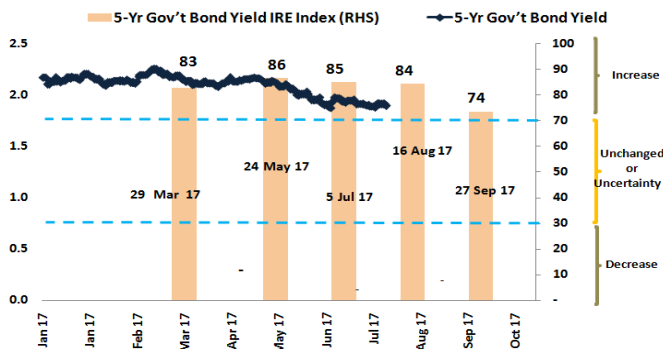
#### Factors Affecting the Interest Rate Policy Trends



♣ The top three factors influencing the interest rate policy forecasts by bond dealers and fund managers—ordered from the most important—include the following:

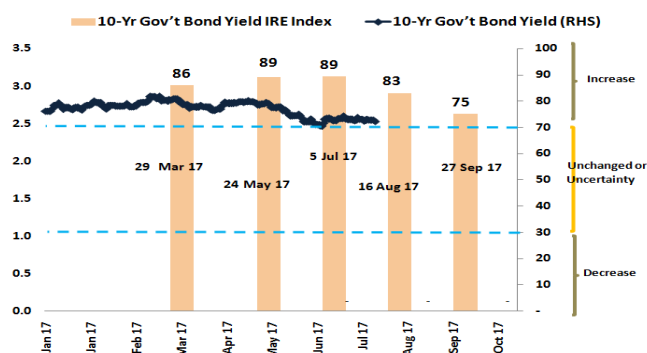
- The Thai inflation rate remains low.
- Thai economic growth continues gradually.
- US interest rate hikes are likely to continue.

#### 5 Yr- IRE Index compared 5 Yr-Gov't bond yield



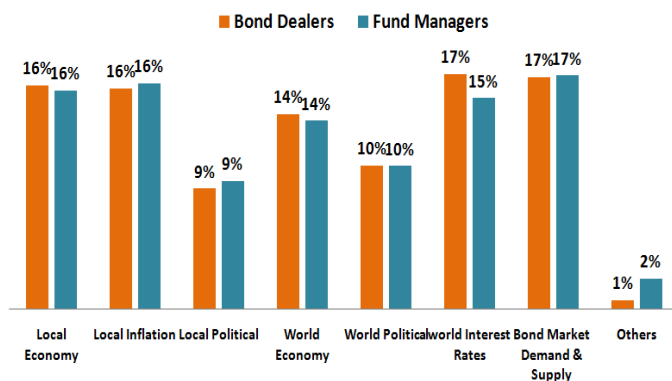
♣ The Interest Rate Expectation Index for 5-Year Government Bonds through the next two meetings of the Bank of Thailand MPC (through September 27, 2017) is at **74**. Although this index level is lower than the previous IRE index of 84, it **still reflects an upward trend**, indicating the market's easing expectations that 5-year government bond yields will rise in the next nine weeks from their 1.88% yield on July 24, 2017. The majority of bond dealers and fund managers have views consistent with this expectation of the future bond market trend.

#### 10 Yr- IRE Index compared 10 Yr-Gov't bond yield



♣ The Interest Rate Expectation Index for 10-Year Government Bonds for the period through the next two Bank of Thailand MPC meetings (through September 27, 2017) stands at **75**, lower than the previous IRE index of 83. However, this still indicates an upward trend, reflecting the market's easing expectations that 10-year government bond yields will rise in the next nine weeks from the 2.53% yield on July 24, 2017. Both bond dealers and fund managers agree with this general expectation for 10-year government bond yields.

### Factors Affecting Long-term Government Bond Yields



♣ The top 4 factors influencing Bond Dealers' and the Fund Managers' outlooks for 5-year and 10-year government bond yields include the following, from most influential to least:

- Supply in the long-term bond market with an increased number of auctions.
- Continued US interest rate hikes.
- Thailand's economy continues to expand gradually.
- Thai inflation remains low.