

Thai Bond Market Movement in 2014

I. Primary Market

The amount of fund raising through corporate bond market reached an all time high in 2014. 88 corporate firms, of which were 24 newcomers, issued long-term bond totaled THB 553,900 Mln, increased by 32% from 2013. The number of long-term corporate issuers increased from 68 companies in 2013 to 88 companies in 2014, with the issue size ranging from THB 50 million to THB 15,000 million, and the issue rating ranging from AAA to Non-rate.

On the government sector, THB 4,677.45 billion of the Bank of Thailand (BOT) bonds were auctioned in 2014, decreased by 20% from the previous year. New issuance of Commercial paper registered with ThaiBMA totaled THB 1,184.84 billion, or 1% lower than those in 2013. The auctioned T-Bills amounted to THB 967.47 billion, increased by 148%; while, government bonds totaled THB 534.83 billion, increased by 3% from the previous year. New issuance of State Owned Enterprise (SOE) bonds totaled THB 162.25 billion in 2014, dropped by 36% from those in 2013; whereas, new issues of Foreign bonds totaled THB 11.59 billion, lower by 54% from the previous year.

Table 1: BOND ISSUANCE REGISTERED AT THAIBMA

Unit: THB Min

Type	2013	2014	Growth (%)
Government Bond	518,696	534,826	↑ 3%
Treasury Bills	389,907	967,467	↑ 148%
State Own Enterprise Bond	252,506	162,247	↓ -36%
State Agency Bond	5,850,354	4,677,452	↓ -20%
Long-term Corporate Bond	418,458	553,941	↑ 32%
Commercial Paper	1,201,105	1,184,843	↓ -1%
Foreign Bond	25,350	11,590	↓ -54%
Total	8,656,376	8,092,366	↓ -7%

New issuances of long-term corporate bonds were THB 553.94 billion, increased by 32% from the previous year.

Outstanding Value of ThaiBMA Registered Bonds

The total outstanding value of ThaiBMA registered bonds as of December 2014 amounted THB 9,287.29 billion, a growth of 3% from the previous year. This consisted of THB 3,355.68 billion of government bonds, THB 2,742.76 billion of State Agency (SA) bonds, THB 1,835.76 billion of long-term corporate bonds, THB 793.24 billion of SOE bonds, THB 371.47 billion of commercial papers, and THB 91.37 billion of foreign bonds (See Table 2).

TABLE 2: THAIBMA REGISTERED BOND OUTSTANDING

Unit: THB Min

Type	2013	2014	Growth
Government Bond	3,336,937	3,355,677	↑ 1%
Treasury Bills	80,000	97,010	↑ 21%
State Own Enterprise Bond	731,585	793,240	↑ 8%
State Agency Bond	2,843,377	2,742,756	↓ -4%
Corporate Bond	1,883,446	2,207,230	↑ 17%
-Long-term Corporate Bond	1,592,862	1,835,762	↑ 15%
-Commercial Paper	290,584	371,468	↑ 28%
Foreign Bond	116,474	91,374	↓ -22%
Total	8,991,819	9,287,288	↑ 3%

The largest portion of long-term corporate bonds outstanding was in Energy & Utilities (20%), followed by the Banking sector (18%), Property Development sector (11%), Financial and Securities sector (9%), Construction Materials sector (9%), Transportation and Logistics (4%), Information and communication Technology (3%), and Others (26%). Taking into account of the number of corporate bonds issuers, the proportion of issuers rating A has decreased from 47% to 38%. On the other hand, the portion of issuers rating BBB (BBB+/BBB/BBB-) and Non-rate has increased 31% and 13% respectively. (See Figures 1 and 2).

FIGURE 1: CORPORATE BOND'S OUTSTANDING VALUE BY BUSINESS SECTOR (as of Dec 30,2014)

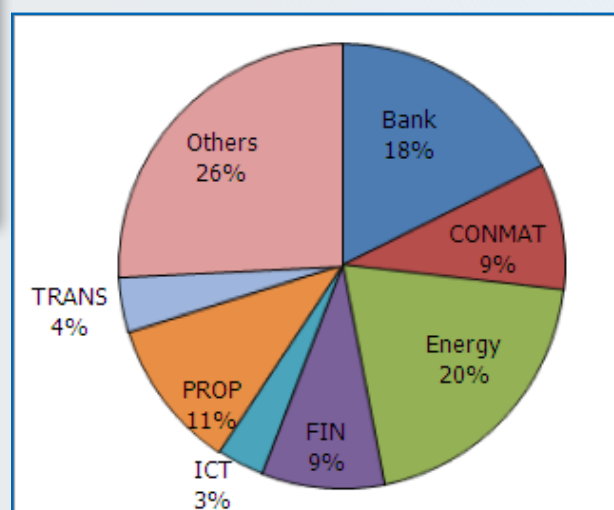
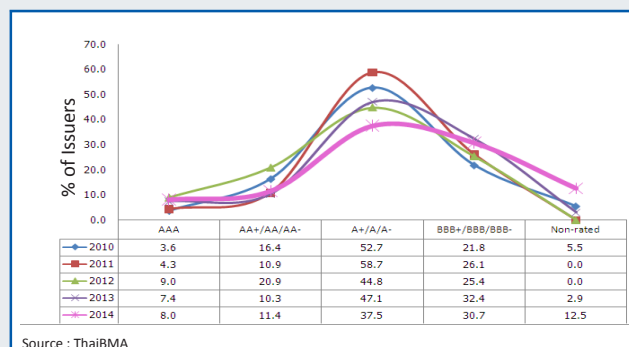


FIGURE 2: PROPORTION OF CORPORATE BOND ISSUER BY RATING



II. Bond Trading Activities in 2014

In 2014, total outright trading value was THB 18,867.22 billion, 10% lower than in 2013 (See Table 3). Trading activities in 2014 continued to be concentrated in BOT bond, accounted for THB 12,516.84 billion or 66.34% of the total outright trading value. The government bonds accounted for THB 4,103.77 billion, followed by THB 1,381.69 billion of T-Bills, THB 370.75 billion of long-term corporate bonds, THB 236.12 billion of SOE bonds, THB 221.81 billion of commercial paper, and THB 36.23 billion of foreign bonds.

TABLE 3: THAIBMA OUTRIGHT TRADING AND OUTSTANDING VALUE (THB Mln) BETWEEN 2013 & 2014

Unit: THB Mln

Type	2013		2014		% Change	
	Outright Trading	Outstanding	Outright Trading	Outstanding	Trading	Outstanding
Government Bond	4,710,929	3,336,937	4,103,772	3,355,677	-13%	1%
State Own Enterprise	270,704	731,585	236,121	793,240	-13%	8%
T-Bills	574,356	80,000	1,381,692	97,010	141%	21%
State Agency	14,806,299	2,843,377	12,516,839	2,742,756	-15%	-4%
LT Corporate bond	336,630	1,592,862	370,752	1,835,762	10%	15%
Commercial Paper	161,625	290,584	221,808	371,468	37%	28%
Foreign Bond	36,324	116,474	36,234	91,374	0%	-22%
Total Value	20,896,868	8,991,819	18,867,218	9,287,288	-10%	3%
Total Value (TTM > 1 year)	6,727,273		5,998,059		-11%	
- No. of trading days	245		245		0%	
- Monthly Average	560,606		499,838		-11%	
- Daily Average	27,458		24,482		-11%	
No. of Outright Transaction	148,673		145,408		-2%	
- Monthly Average	12,389		12,117		-2%	
- Daily Average	607		594		-2%	
Dealer Participation	35		40		14%	

However, total outright trading value with over 1 year maturity stood at THB 5,998.06 billion, 11% lower than in 2013. Average daily outright trading value with maturity over 1 year stood at THB 24.48 billion in 2014, 11% lower than the amount of THB 27.46 billion in 2013.

Total outright trading of long-term corporate bonds in 2014 totaled THB 370.75 billion or 1.97% of the total outright trading value. The largest portion of corporate bonds outright trading value was in Financial Institution sector (22%), followed by Energy sector (17%), the Property sector (13%), and Banking sector (8%).

Market Participants

In 2014, 71% of the total outright trading value came from transactions between dealers and their clients, whereas 29% was inter-dealer transactions. Major active investors were Asset Management Companies (61%), followed by foreign companies (FCO) (13%), domestic companies (DCO) (7%), insurance companies (5%), non-dealer financial institutions (NDL) (4%), individuals (0.3%) and others (10%).

The top ten active member dealers for outright trading with over 1 year maturity in 2014 comprised of seven local commercial banks, namely: Bangkok Bank Plc (8.70% of market share), Standard Chartered Bank (8.16%), Siam Commercial Bank Plc (7.80%), Kasikorn Bank Plc (6.77%), CIMB Thai Bank Plc (6.19%), TMB Bank Plc (6.01%), Krung Thai Bank Plc (5.77%), and three foreign commercial banks: The Hongkong and Shanghai Banking Corporation Limited (HSBC) (8.04%), CITI Bank (7.32%), and DEUTSCHE Bank AG, Bangkok Branch (6.01%). (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	BBL	693,872.40	8.70%
2	SCBT	650,842.53	8.16%
3	HSBC	641,731.14	8.04%
4	SCB	622,443.97	7.80%
5	CITI	583,794.62	7.32%
6	KBANK	540,159.72	6.77%
7	CIMBT	493,415.69	6.19%
8	TMB	479,364.26	6.01%
9	DBBK	479,101.10	6.01%
10	KTB	460,208.96	5.77%
	Other	2,332,437.37	29.24%
	Total	7,977,371.77	100.00%

Market Liquidity

In 2014, the turnover ratio (outright transaction only) for all types of bonds was 2.03 times, dropping from the ratio of 2.32 times in 2013. In particular, the turnover ratio of SA bonds was 4.56 times, followed by government bonds (1.22 times), commercial paper (0.6 times), SOE bonds (0.30 times), foreign bonds (0.40 times), and long-term corporate bond (0.20 times).

The top five active issues of government bonds were LB196A, LB176A, LB236A, LB21DA and LB155A (See Table 5), whereas the top five active SOE bonds were GGLB16NA, GGLB189A, GGLB157C, GGLB156A and GGLB148A (See Table 6). With regards to long-term corporate bonds, the top five active issues were TLT155A, TLT14DA, IRPC147A, TOP273A, and DTAC167A (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	4.45	3.72	2.05	1,019,428	337.57	30-Dec-14
LB176A	Loan Bond	2.46	3.42	2.00	743,732	340.10	30-Dec-14
LB236A	Loan Bond	8.46	4.09	2.65	498,978	252.20	30-Dec-14
LB21DA	Loan Bond	6.97	3.95	2.54	435,306	206.75	30-Dec-14
LB155A	Loan Bond	0.39	2.74	1.70	377,516	494.54	30-Dec-14

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							
GGLB16NA	Guaranteed	1.92	3.17	2.28	55,918	80.37	18-Dec-14
GGLB189A	Guaranteed	3.74	3.39	2.58	24,675	41.82	30-Dec-14
GGLB157C	Guaranteed	0.57	2.56	2.15	9,160	104.10	17-Dec-14
GGLB156A	Guaranteed	0.44	2.30	2.12	7,776	56.35	15-Dec-14
GGLB148A	Guaranteed	-	2.29	2.10	5,178	-	4-Jun-14

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							
TLT155A	AAA	0.41	3.05	2.38	10,918	202.18	26-Dec-14
TLT14DA	AAA	-	2.94	2.24	8,380	-	19-Nov-14
IRPC147A	A-(tha)	-	2.90	2.62	6,624	-	11-Jun-14
TOP273A	AA-(tha)	12.23	4.90	4.17	6,167	82.22	4-Nov-14
DTAC167A	AA	1.57	3.95	2.42	5,168	103.37	3-Dec-14

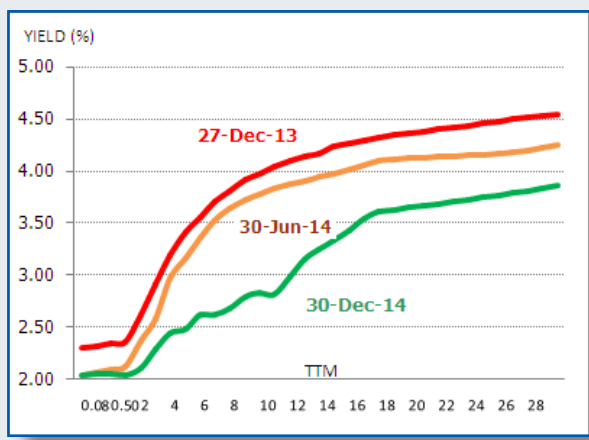
Yield Movement and the ThaiBMA Bond Index

Comparing yield's movement of the government bond at the end of 2014 with the previous year, short-term bonds' yield decreased around 25 basis point amid the decline of policy rate (from 2.25% to 2.0% in Mar 2014). While the yield of long-term bond (longer than 1 year) went down 60-110 basis point as economic recovery in domestic and international was slower than market's expectation (See Figure 3). Furthermore, the yield spread of 2 and 10 years Thai bonds remained at the same or higher than many ASEAN countries such as Malaysia, Indonesia, etc.

There were THB 69,900 million of foreign outflows the first five months of 2014 partly due to political uncertainties in Thailand together with concern about the Fed tapering the U.S. asset purchasing program (QE).

However, after economic roadmap drawn up by the National Council for Peace and Order (NCPO) in late 2014, a large amount of foreign capital flowed into the bond market (especially in long-term bond which has BHT 109,000 of net inflow during Jun-Dec). Nevertheless, total net capital flow 2014 amounted BHT 26,200 Mln, it can be seen that foreigners hold bonds at value of 683,215 million baht which is 3.7 percent lower than the value of 707,902 million baht at the end of 2013.

FIGURE 3: THAI BMA GOVERNMENT BOND YIELD CURVE MOVEMENT



At the end of year 2014, ThaiBMA government bond's clean price index closed at 106.70, representing year-to-date return of 5.11%. 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 4%, 8.10%, 12.64%, 15.34%, and 7.05%, respectively. Return on corporate bonds index decreased from 3.90% in 2013 to 6.68% in 2014.

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 705,000 million of government debt securities is expected to be issued for the fiscal 2015, 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.

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 520,000-540,000 million baht with the expectation of continuing low-levelled interest rate trend in 2015.

II. Secondary Market

For yield movement in 2015, short-terms yield may continue to decrease due to two main factors. Firstly, because of slow recovery of world economy and the sign of deflation, many central banks have to maintain interest rate at low level, also inject money to the system. As a result, there is a chance of foreign inflow into Thai bond market. Second point is the trend of Thai interest rate. Fiscal Policy Office (FPO) adjusted Thai GDP growth rate to 3.9 percent according to slow recovery of the export and high level of household debts. However, it is possible for increment of the policy rate in second half of 2015.

Thai Bond Market Appendix

TABLE 1 : SIZE OF THAILAND FINANCIAL MARKET

Economic Indicator	2006	2007	2008	2009	2010	2011	2012	2013	2014
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
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
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

TABLE 2 : THAIBMA REGISTERED BONDS BY TTM (as of Dec 30, 2014)

Type of Bond	TTM (Yrs.)	Outstanding (THB Bln.)	# issue
Treasury Bills	0 - 5	97.01	8
	Total	97.01	8
Government Bond	0 - 5	48.22	6
	6 - 10	751.66	9
	11 - 15	1,078.77	9
	>15	1,477.03	26
	Total	3,355.68	50
State Agency Bond	0 - 5	2,635.42	58
	6 - 10	107.34	3
	Total	2,742.76	61
State Owned Enterprise Bond	0 - 5	250.08	62
	6 - 10	268.60	198
	11 - 15	181.47	165
	>15	93.09	78
	Total	793.24	503
Long-term Corporate Bond	0 - 5	670.26	379
	6 - 10	561.36	261
	11 - 15	489.30	115
	>15	114.83	21
	Total	1,835.76	776
Commercial Paper	0 - 5	371.47	1,442
	Total	371.47	1,442
Foreign Bond	0 - 5	53.94	19
	6 - 10	16.53	8
	11 - 15	20.91	12
	Total	91.37	39

TABLE 3 : TOP 5 MOST ACTIVE REGISTERED BOND

Government		State Owned Enterprise		Corporate	
Issue	THB Mln.	Issue	THB Mln.	Issue	THB Mln.
LB196A	1,019,428.15	GGLB16NA	55,918.21	TLT155A	10,917.69
LB176A	743,732.18	GGLB189A	24,675.11	TLT14DA	8,380.18
LB236A	498,977.60	GGLB157C	9,160.47	IRPC147A	6,623.98
LB21DA	435,305.90	GGLB156A	7,776.11	TOP273A	6,166.81
LB155A	377,515.58	GGLB148A	5,178.36	DTAC167A	5,168.27
Total	3,074,959.42	Total	102,708.27	Total	37,256.93

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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
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
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
Change (Bps.)	↓-26	↓-26	↓-29	↓-31	↓-51	↓-64	↓-93	↓-108	↓-115	↓-110	↓-90	↓-75	↓-71	↓-71	↓-68

TABLE 5 : THAIBMA BOND INDICES

ThaiBMA Bond Indices (point)	2013	2014	Return (%)
Government Bond Index			
Clean Price	101.51	106.70	↑ 5.11
Gross Price	102.26	107.33	↑ 4.96
Total Return	223.90	244.94	↑ 9.40
Corporate Bond (BBB up) Index			
Clean Price	104.03	106.18	↑ 2.07
Gross Price	104.94	107.14	↑ 2.10
Total Return	191.59	204.39	↑ 6.68

TABLE 6 : BOND RETURN (%)

ThaiBMA Bond Indices (point)	Return (%) - compare	
	Between 2013 & 2014	
Government Bond Total Return Index	↑	9.40%
Maturity Sub Group		
Group 1 (1 < TTM ≤ 3)	↑	4.00%
Group 2 (3 < TTM ≤ 7)	↑	8.10%
Group 3 (7 < TTM ≤ 10)	↑	12.64%
Group 4 (TTM > 10)	↑	15.34%
Group 5 (TTM ≤ 10)	↑	7.05%
Investment Grade Corporate Bond Index	↑	6.68%

TABLE 7 : TURNOVER RATIO (as of 27 Dec, 2013 & 30 Dec, 2014)

Turn Over Ratio (Times)	2013	2014	Growth (%)
Government Bond	1.41	1.22	↓ -13%
Treasury Bills	7.18	14.24	↑ 98%
State Own Enterprise Bond	0.37	0.30	↓ -20%
State Agency Bond	5.21	4.56	↓ -12%
LT Corporate Bond	0.21	0.20	↓ -4%
Commercial paper	0.56	0.60	↑ 7%
Foreign Bond	0.31	0.40	↑ 27%
Total	2.32	2.03	↓ -13%

Thai Bond Market Appendix

FIGURE 1 : GOVERNMENT BOND'S OUTSTANDING BY YEAR TO EXPIRATION
(as of Dec 30, 2014)

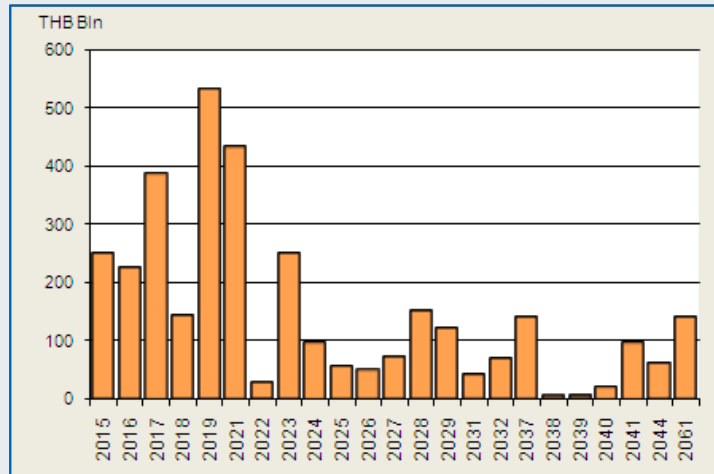


FIGURE 2 : LONG-TERM CORPORATE BOND'S TRADING & OUTSTANDING VALUE
BY BUSINESS SECTOR (as of Dec 30, 2014)

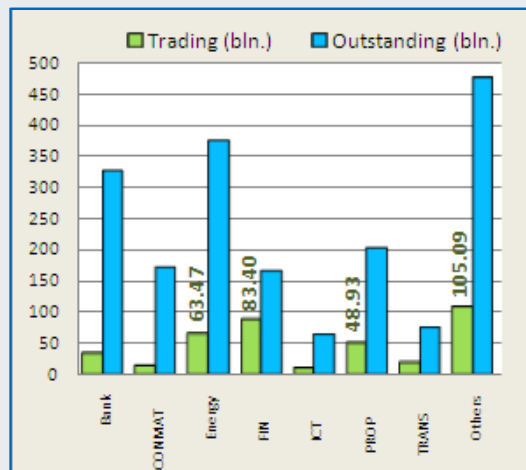
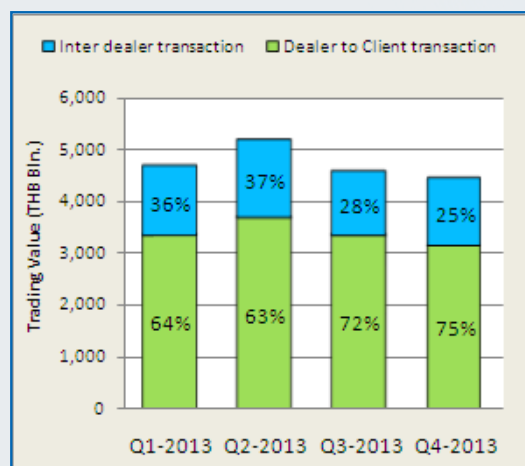


FIGURE 3 : COMPOSITION OF MARKET PARTICIPANTS (Quarterly)



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FIGURE 4: COMPOSITION OF DEALER TO CLIENT TRANSACTIONS

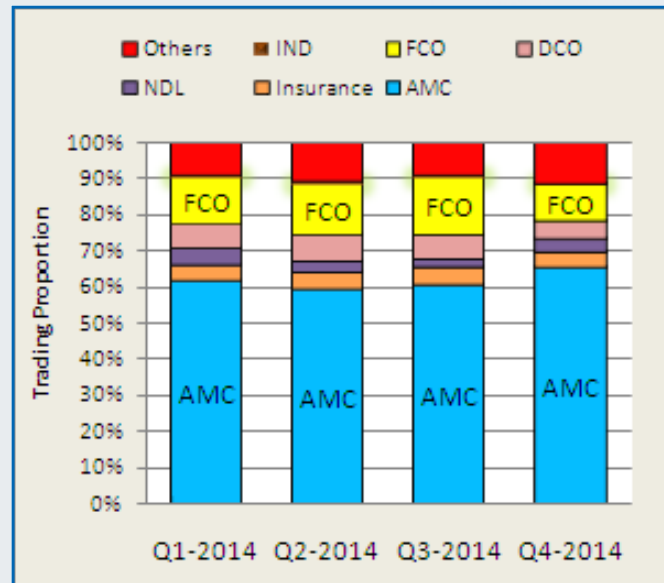
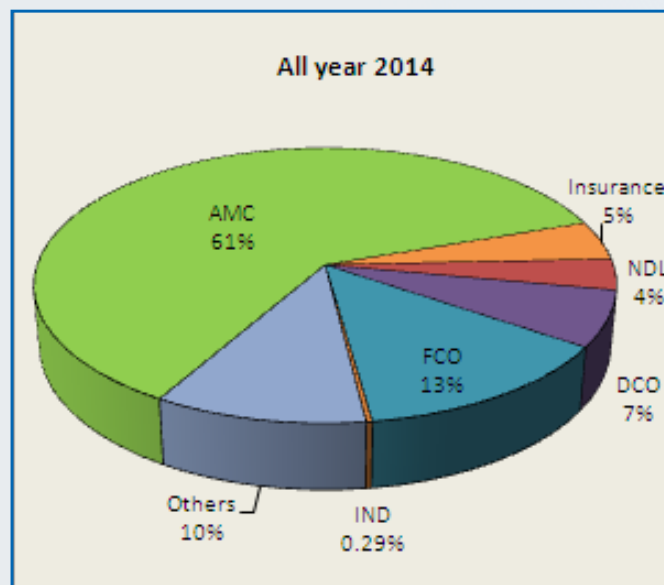


FIGURE 5 : COMPOSITION OF DEALER TO CLIENT TRANSACTIONS IN YEAR 2014



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