



Annual PDMO Market Dialogue for FY2017

Public Debt Management Office (PDMO) announced the meeting summary of the annual PDMO Market Dialogue, which was held on the 8th September 2016. The objectives are to exchange the information and opinions with market participants regarding to the current state of Thai bond market, investment demand and Thai bond market development plan in the future so that PDMO is able to provide the government funding strategy for FY2017, to correspond with the investors' desire and current bond market situation. One hundred and fifty market participants joined this Annual PDMO Market Dialogue, including representatives from Bank of Thailand (BOT), The Securities and Exchange Commission (SEC), Thai Bond Market Association (ThaiBMA), Ministry of Finance's Outright Primary Dealers (MOF Outright PD), and institutional investors. The main topics discussed in the meeting are shown below.

1. Estimated Government Funding Needs* and Action Plans for FY2017

1.1 Government funding needs for FY2017 is approximately THB 957,722 million, which consist of the following :

1.1.1 New Borrowing in FY2017

a. Budget Deficit Financing	THB 390,000 million
b. On-Lending	THB 50,613 million
c. Substitution for External Borrowing	THB 48 million

Total New Borrowing in FY2017 THB 440,661 million (46%)

1.1.2 Refinancing of maturing debt in FY2017

a. Direct Government Debt	THB 188,999 million
b. Government Debt for FIDF	THB 313,119 million
c. Government Guaranteed Debt	THB 14,943 million

Total Refinancing of maturing debt in FY2017 THB 517,061 million (54%)

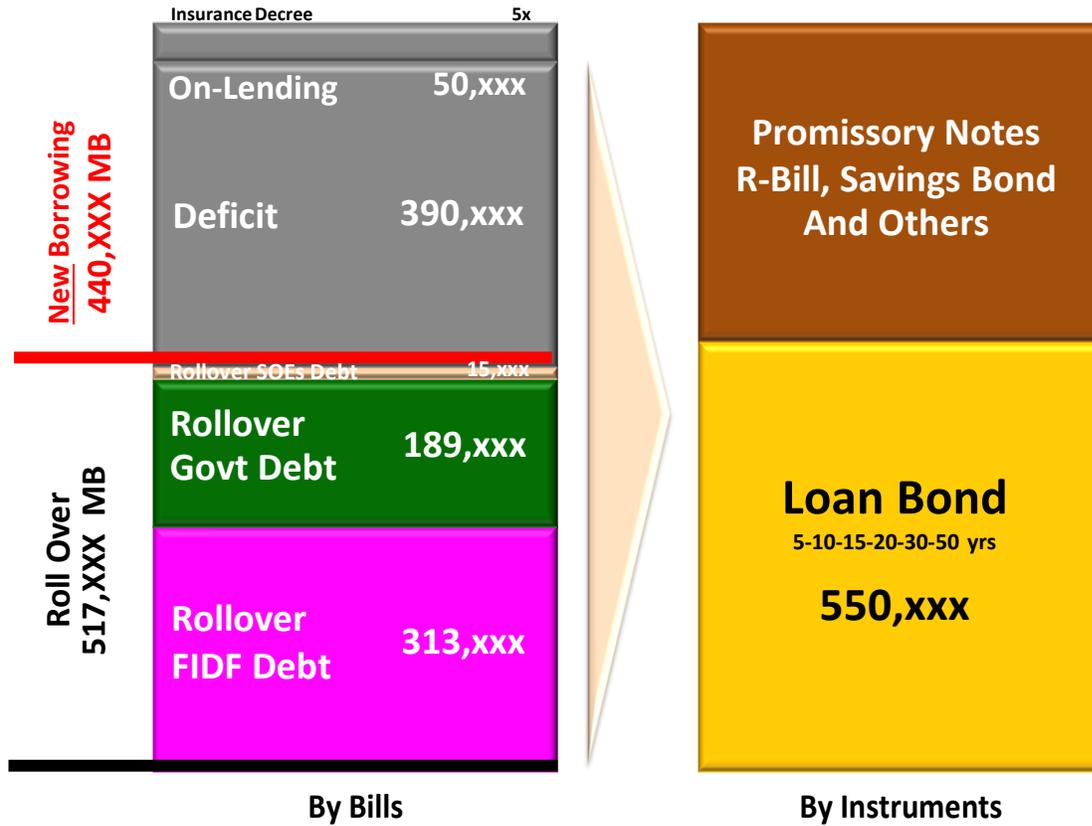
Total 1.1.1 + 1.1.2

THB 957,722 million (100%)

*Government direct borrowing

1.2 Government fundraising Plan for Fiscal Year 2017

Figure 1: Estimated Government Funding Needs and Funding instrument in FY2017



Remark : 1. Exclude external funding for both new borrowing and rollover debt with amount of 71,xxx
 2. Exclude T-Bill rollover debt

1.2.1 Benchmark bond as primary tool

PDMO will continue to use benchmark bond as the primary tool to raise funds in FY2017. This year six series of benchmark bonds, including 5-year (LB226A), 10-year (LB26DA), 15-year (LB316A), 20-year (LB366A), 30-year (LB466A) and 50-year (LB666A) will be issued in the amount of THB 550,000 million or 57% of government funding needs. PDMO focuses on continued issuance these benchmark bonds in order to enhance liquidity for government bond , build up the efficient reference rate for both SOEs and the private sectors as well as supports the bond market development and responds to the entire groups of investors' desire.

MOF Outright PD will have exclusive rights to enter primary market auction and Greenshoe options for 5-year benchmark bond. The Greenshoe Option will allow MOF Outright PD to make additional purchase of bonds not exceeding 20% of the total allocated bonds at the average accepted yield (AAY). The right needs to be exercised between 11.00 – 11.30 am on the day of the auction.

1.2.2 Treasury bill (T-Bill) issuances

PDMO plans to continue issuances of 28-day T-Bill in order to maintain sufficient treasury cash balance to support government operations. This year 28-day T-Bill will be issued on a weekly basis and the issued amount will be announced monthly.

1.2.3 Savings Bond (SB) issuances

In FY2017, PDMO will continue to promote savings habit amongst the general public by offering access to quality investment tools and encourage the public to participate in the government fundraising for country development. The Ministry of Finance will issue 2 Savings bonds in FY 2017, in December 2016 and May 2017, of which the details will be announced later during the year.

1.3 PDMO's Action Plans in FY2017

PDMO has studied and developed new strategies to enhance flexibility of the government fundraising regarding to the fluctuation of the investment demand and the market condition as well as to increase the volume of transactions in the secondary market.

1.3.1 Increasing the liquidity of the benchmark bonds

In FY2017, PDMO will increase auction size for Benchmark bond as well as reduce the auction's frequency in order to promote liquidity in the secondary market in the period between each auction. The details of the auction size and the frequency are as follows

Tenors	Symbol	Coupon	Auction Size	Frequency	Total Issuance
5	LB226A	1.875%	25,000 – 30,000	5	140,000 – 160,000
10	LB26DA	2.125%	18,000 – 20,000	5	90,000 – 100,000
15	LB316A	3.65%	14,000 - 16,000	5	75,000 – 85,000
20	LB366A	3.40%	13,000 – 14,000	5	65,000 – 75,000
30	LB466A	2.875%	15,000 – 16,000	5	70,000 – 80,000
50	LB666A	4.00%	15,000 – 16,000	5	70,000 – 80,000

Remark: Including Greenshoe Option for 5-yr Benchmark Bond

1.3.2 Overallotment and Mini Auction

Regarding to the previous fluctuation in the financial market, changed in investors' behavior and the polarization of monetary policies of the central banks in many countries, PDMO has developed the Overallotment and Mini Auction as the new facilities to increase the capability and flexibility of the government fundraising corresponding with the increasing investment demand in various situations. These transactions are capable to reduce volatility of government bond yield curve to absorb the excess demand effectively. PDMO will announce the conditions and procedures later.

1.3.3 Bond Stripping

As an alternative investment, PDMO has planned to initiate Bond Stripping transaction which coupon payments and principal repayment can be stripped into separate securities. This transaction will create the long dated zero-coupon bond, according to the tenor of the original bond. Investors will have the opportunity to buy and sell these zero-coupon bonds freely which will increase the liquidity in the secondary market and lengthen the zero-coupon bond yield curve in order to further improve the accuracy of bond valuation.

2. Investment plans and Progress in the implementation of Infrastructure projects

PDMO announced the progress of the implementation of the infrastructure projects as follows;

2.1 On-going Plan:

15 projects which started before FY2015 with the investment amount at THB 297,150.63 million. THB 20,131.81 million has already expensed at the end of July 2016. (41.31% of FY2016 Reimbursement plan)

2.2 Action plan:

20 projects with the investment budget at THB 1.796 trillion: 4 projects are under construction and THB 9,499.77 million has already expensed between January – July 2016 (28.38% of FY2016 Reimbursement plan), 7 projects are under the tender process, and 9 projects are under the process of the cabinet approval.