



สำนักงานบริหารหนี้สาธารณะ
PUBLIC DEBT MANAGEMENT OFFICE

Positioning Thailand's Bond Market

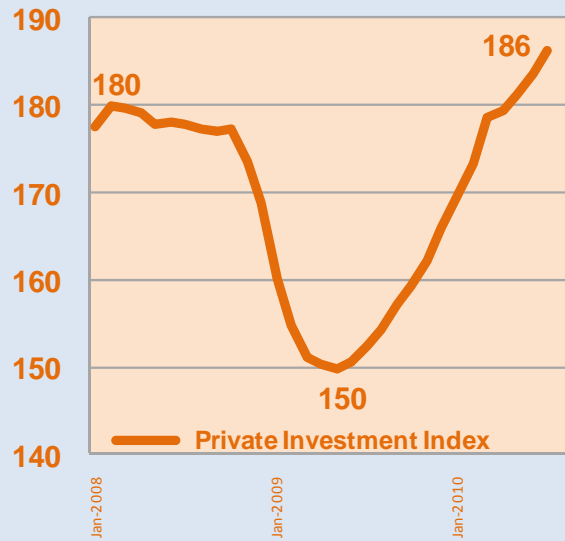
September 2010

Euromoney Conference

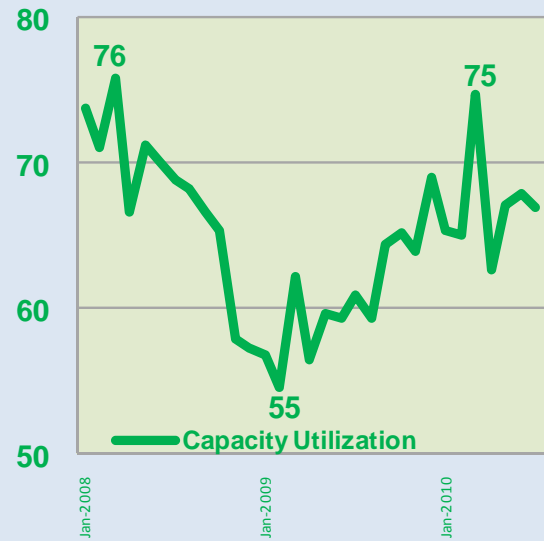
London, UK

Signs of recovery (Monthly data : January 2008 – July 2010)

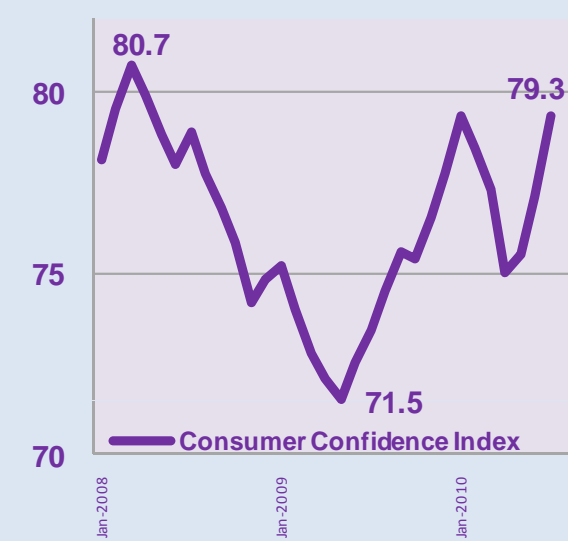
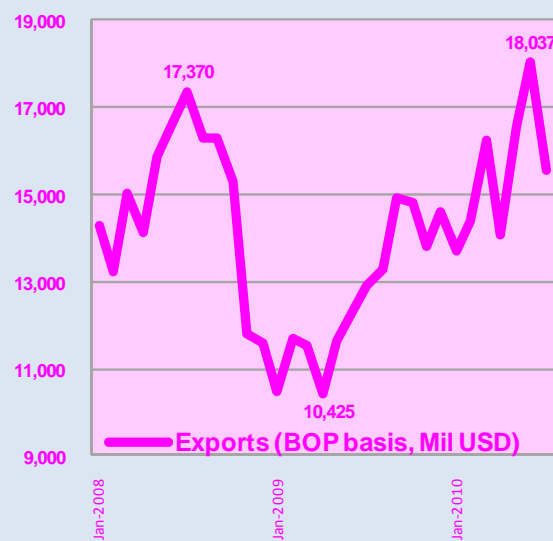
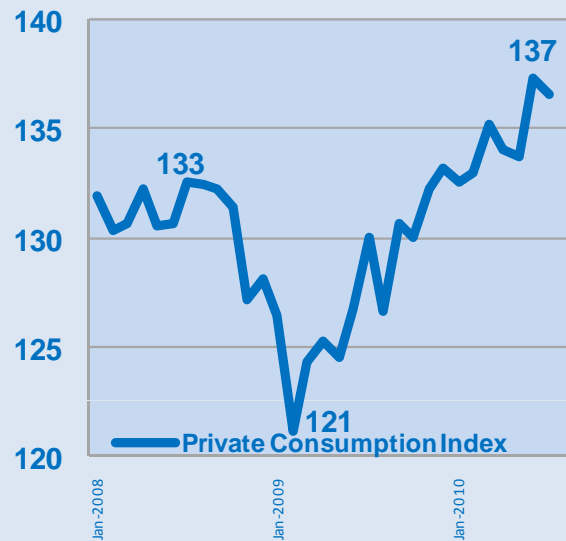
INVT+CONS rebounded



Production resumed

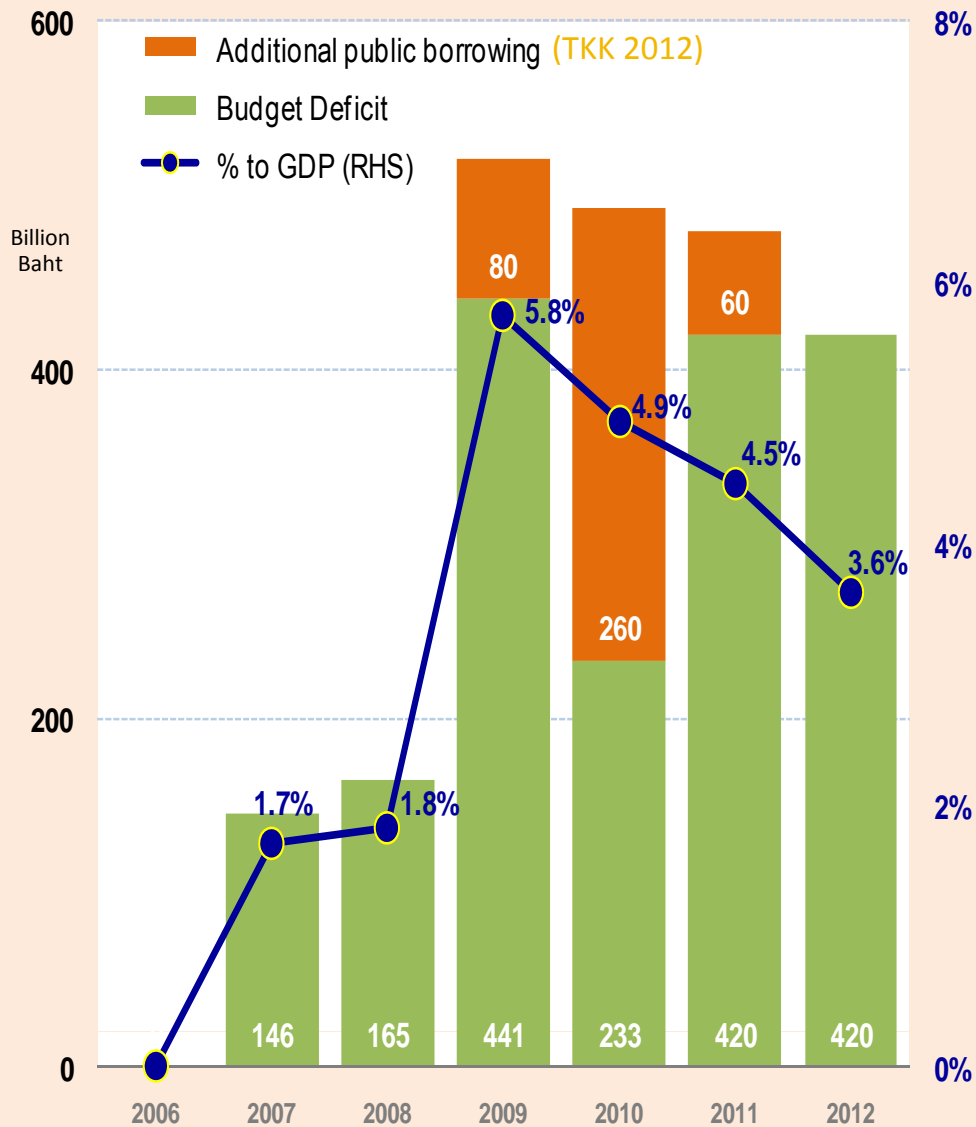


Confidence regained



Fiscal Stimulus averaged 5% of GDP

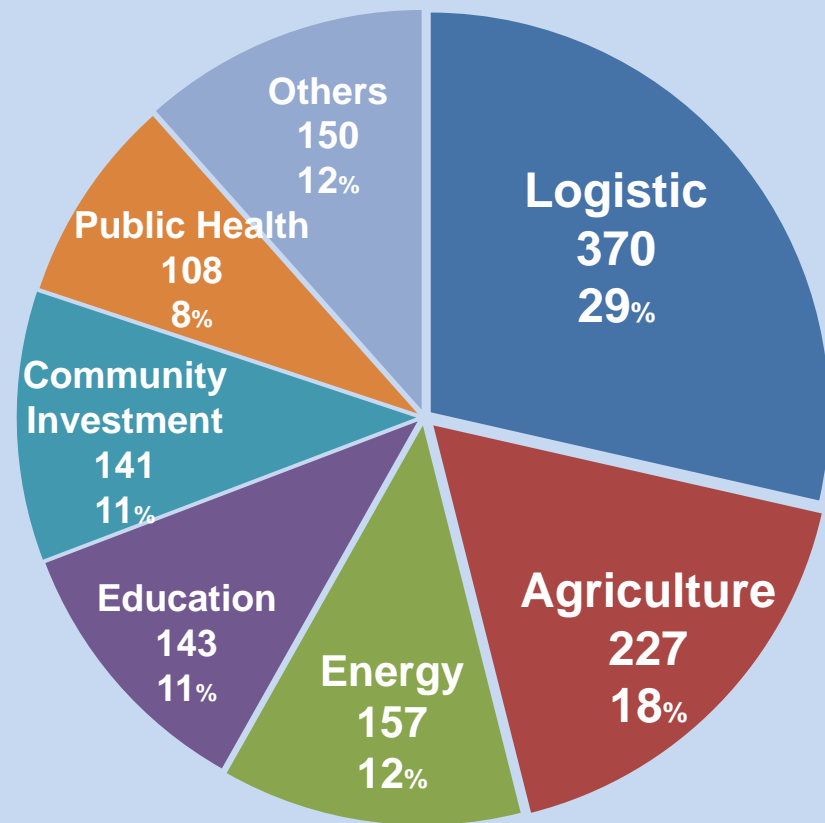
(FY2009 – FY2011)



Source : Public Debt Management Office, Ministry of Finance

TKK 2012 : 1,296 Billion Baht

(CY2008 – CY2012)



Huge stimulus package resulted in 10-year high GDP growth despite political turbulence

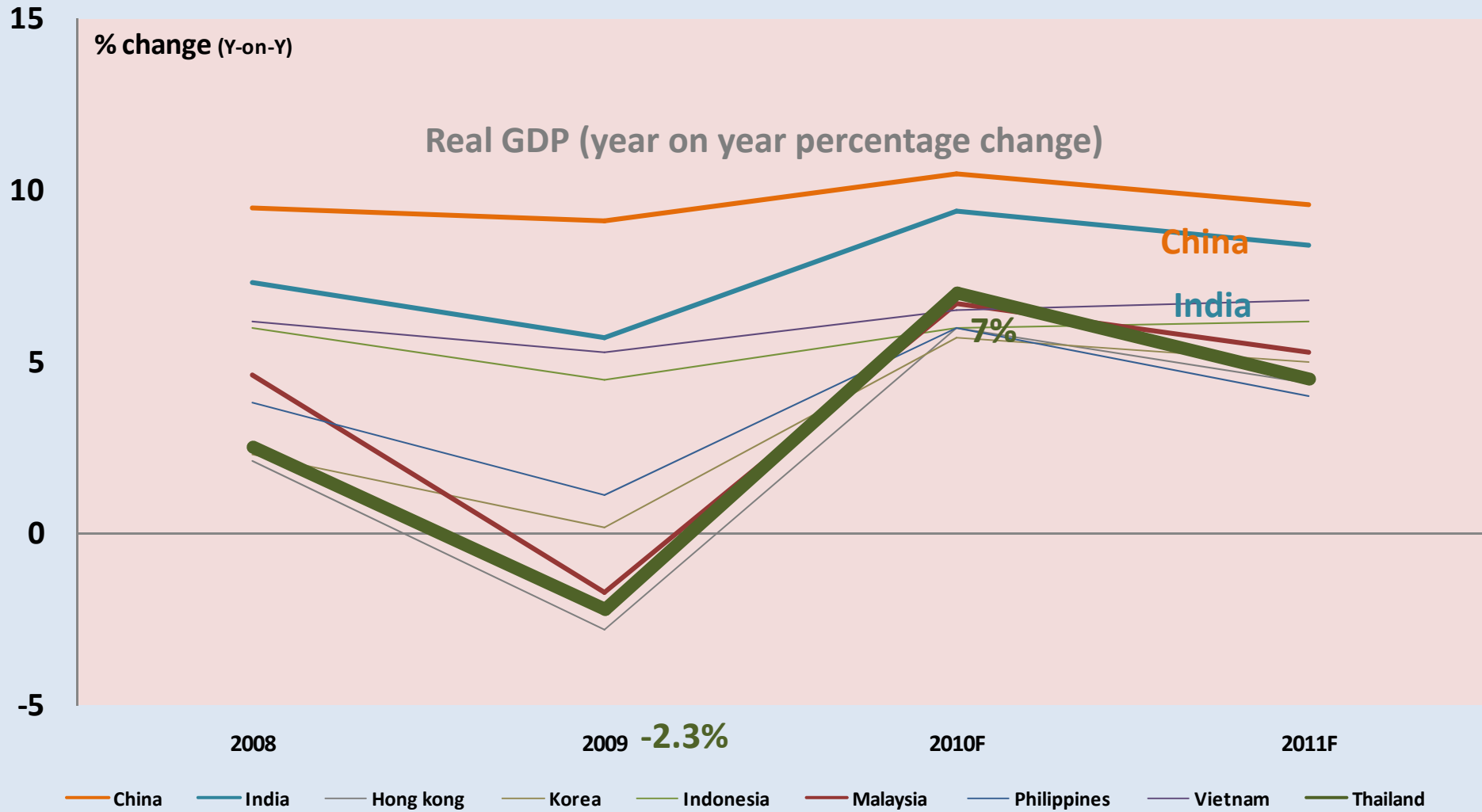
NESDB (23 Aug 2010) doubled its 2010 GDP growth forecast from 3.5% to 7.5% due to higher-than-expect export and investment.

Real GDP % growth (Q-on-Q) and GDP current price (Billion Baht)

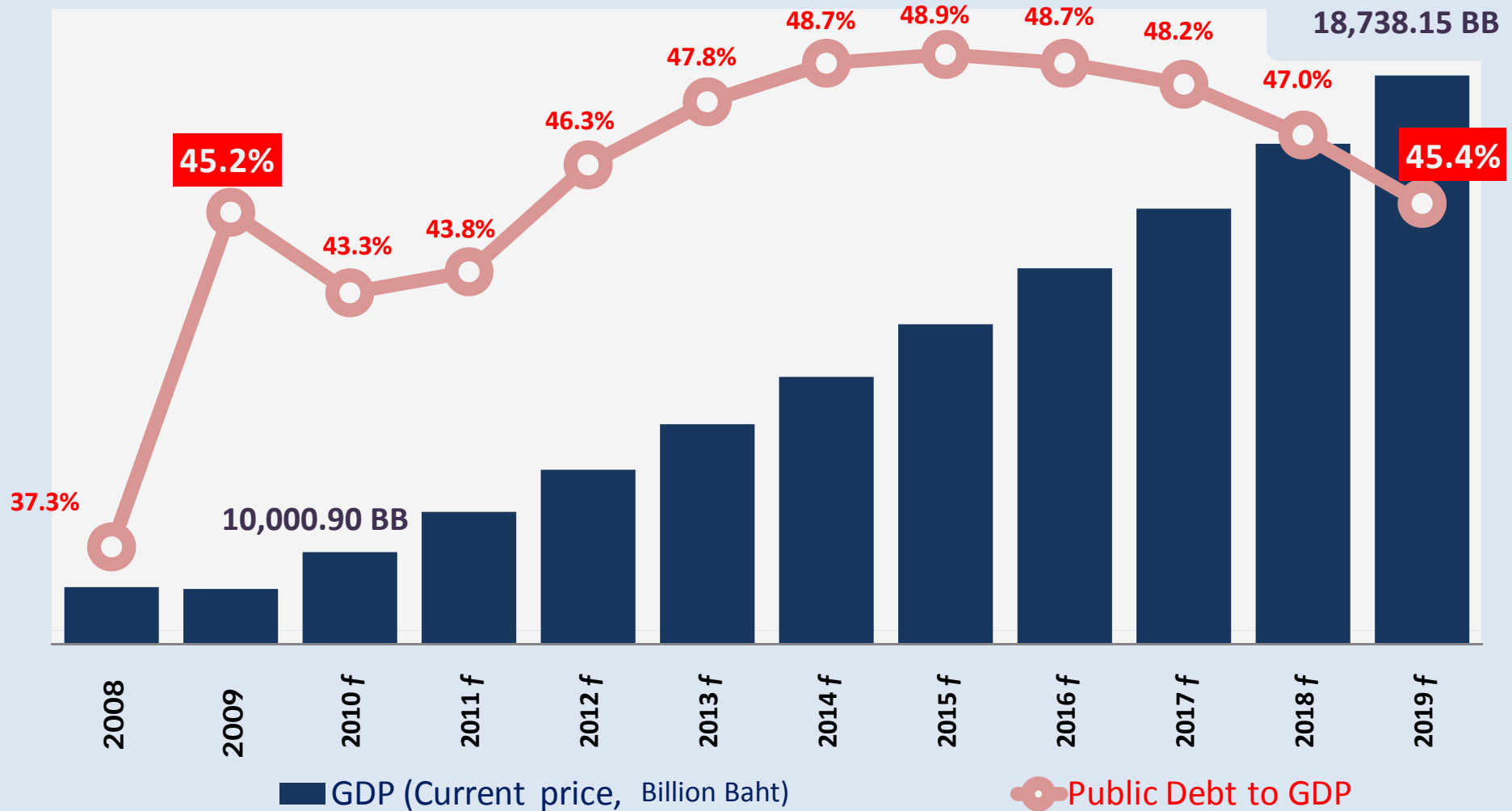


Huge stimulus pays off

IMF foresees that Thailand will enjoy **strongest rebound** among ASEAN-5 (excl China & India)

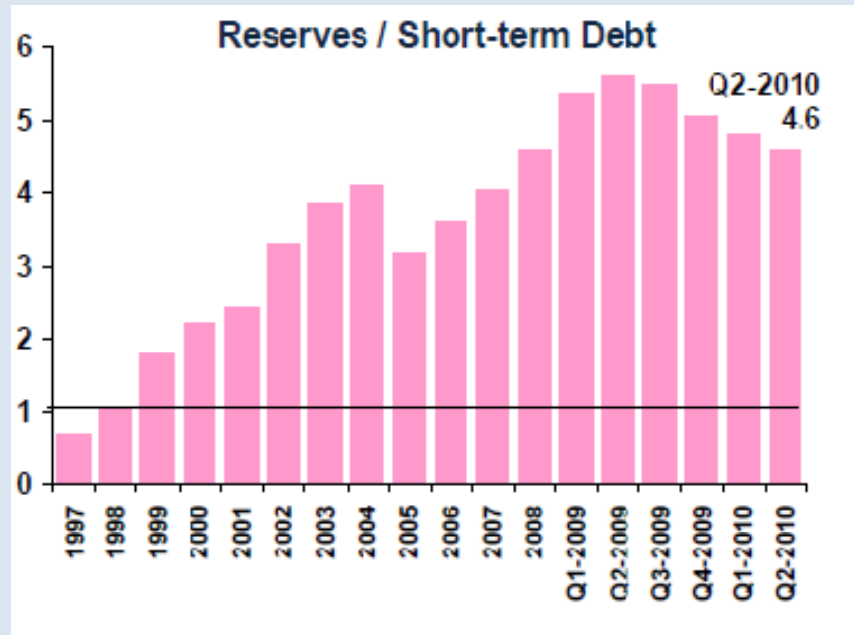


Effective Management in Stimulus Package leads to **LOWER Public Debt** to GDP in Long run

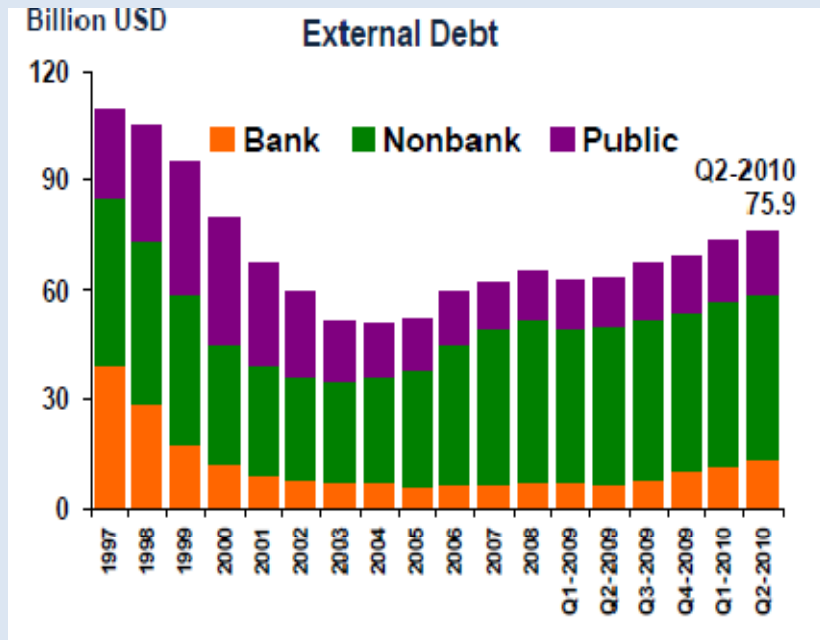


Source: PDMO, as of SEP 10

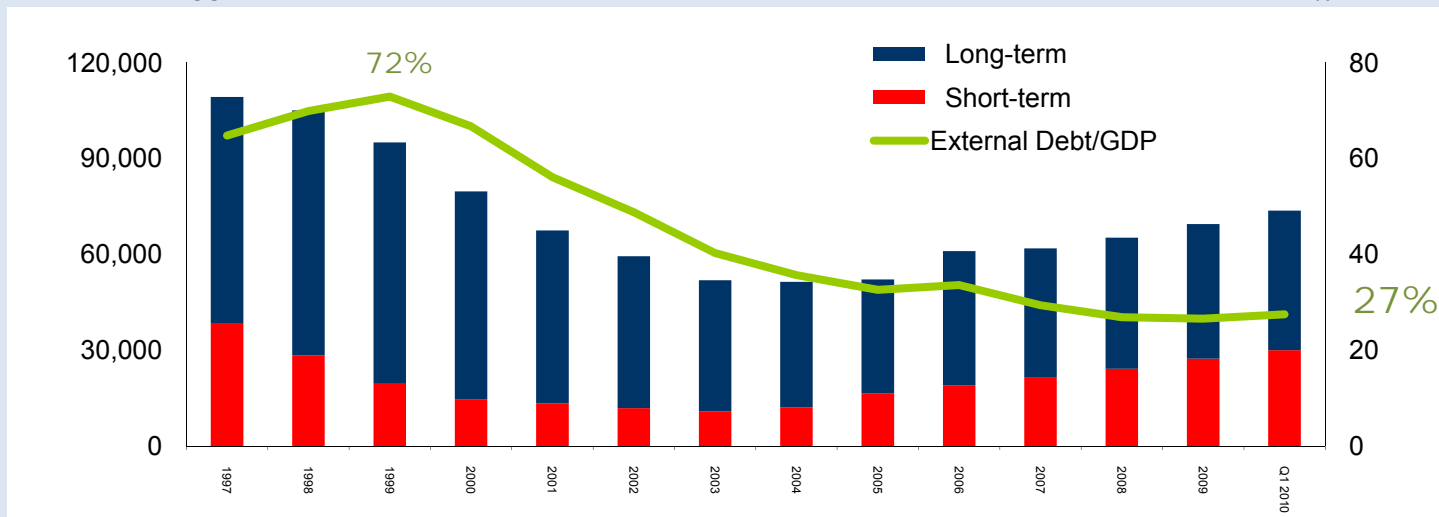
External Balance Strong: ST Debt low and well covered by Reserves



M USD



%



Consensus: Thailand's fundamentals remains sound and improving in spite of widespread concerns with political situation

Fitch's Thailand Analysis*

Strength

- External Financial position remains strong, stronger than most in BBB
- Sound banking system, strongest in BBB group
- Economy recovered (GDP revised up to 6.7%) despite global economic downturn AND political turmoil

Weakness

- ➔ Political uncertainty (although yet to affect credit)
- Concerns with medium term fiscal position

Remarks: * Fitch's Thailand Report, April 2010

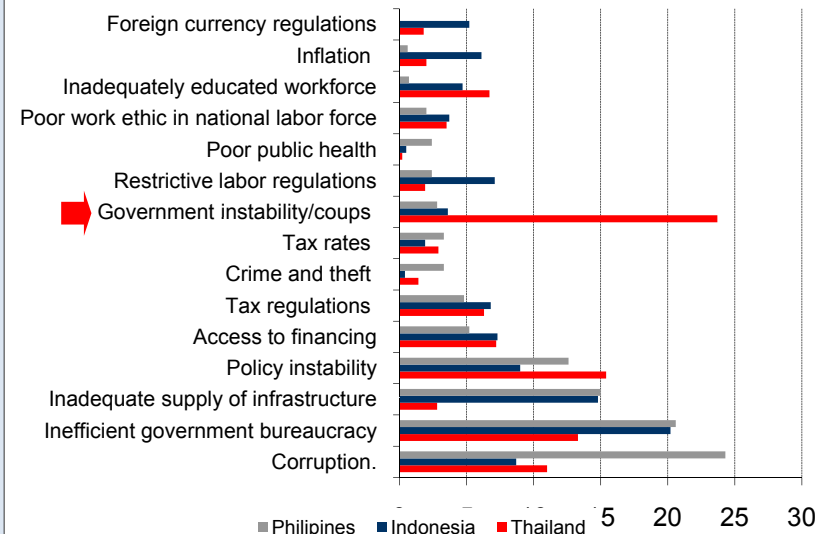
**MoF (Japan) Survey of factors affecting investors confidence, by order of priority

***Respondents asked to rank most problematic factors, Global Competitiveness Report 2009-2010

MoF (Japan)'s Investor Survey**

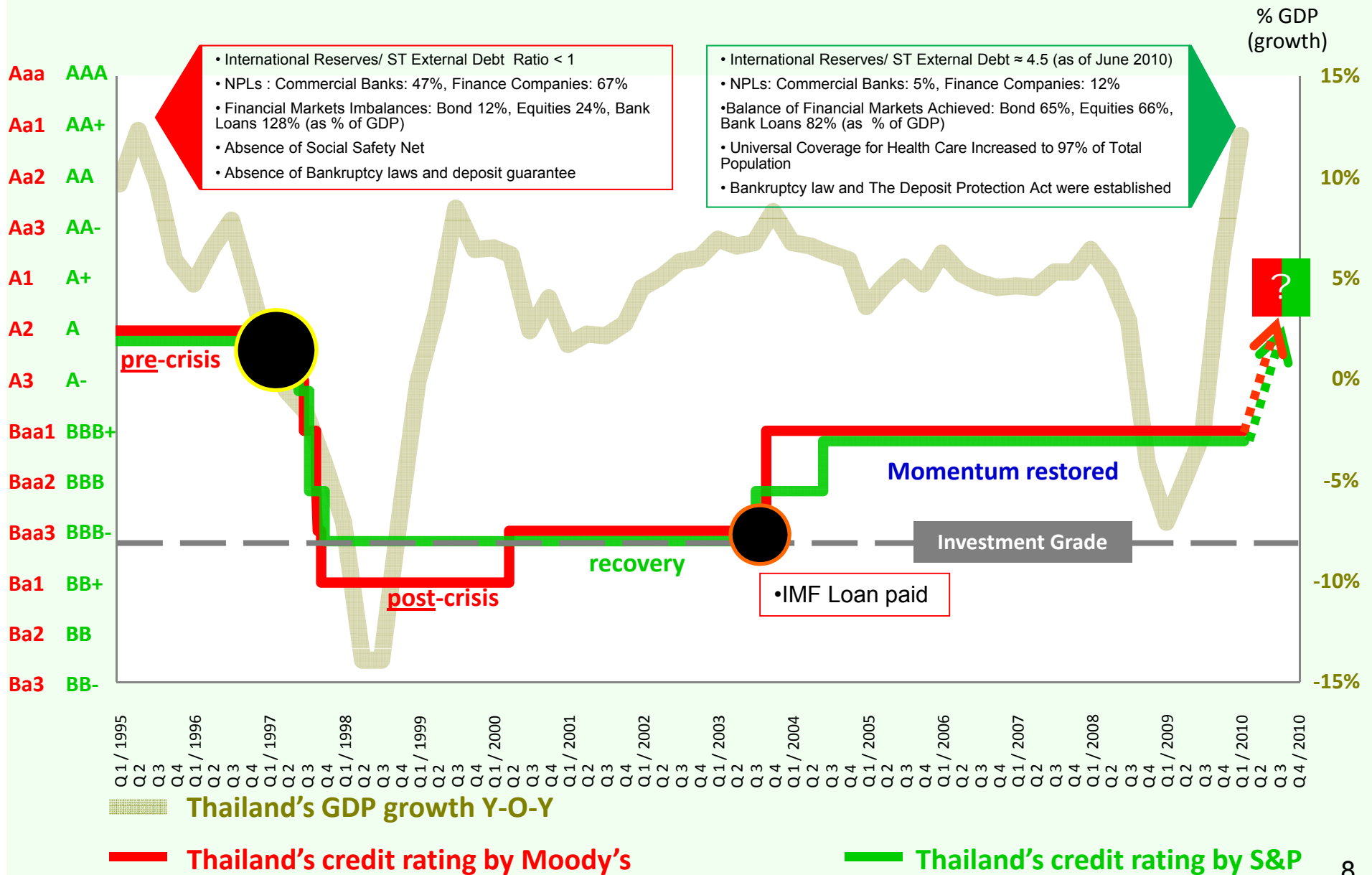
- ➔ ? Political stability
- ✓ Competence of the economic management team
- ✓ Strong external accounts positions
- ✓ Efficiency and stability of the financial system
- ✓ Foreign exchange reserves
- ✓ Asset quality of financial institutions
- ✓ Policy consistency or rigidity

Problematic factors of doing business***



Economic growth rebounded
Confidence regained
Momentum restored

Credit Rating is **Yet**
to be “**upgraded**”

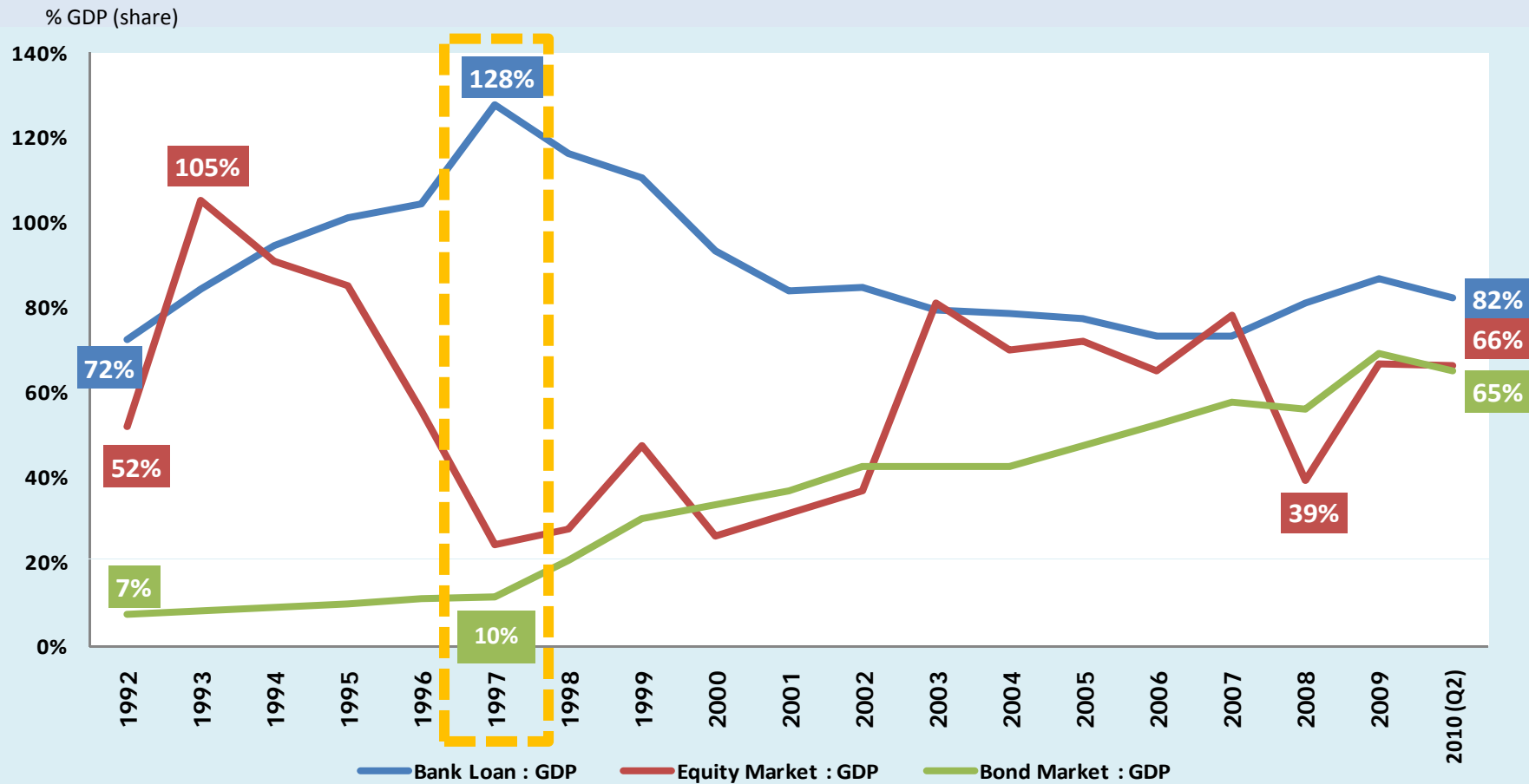


1997 Asian Financial Crisis

The Rude Awakening

Imbalanced Capital Market

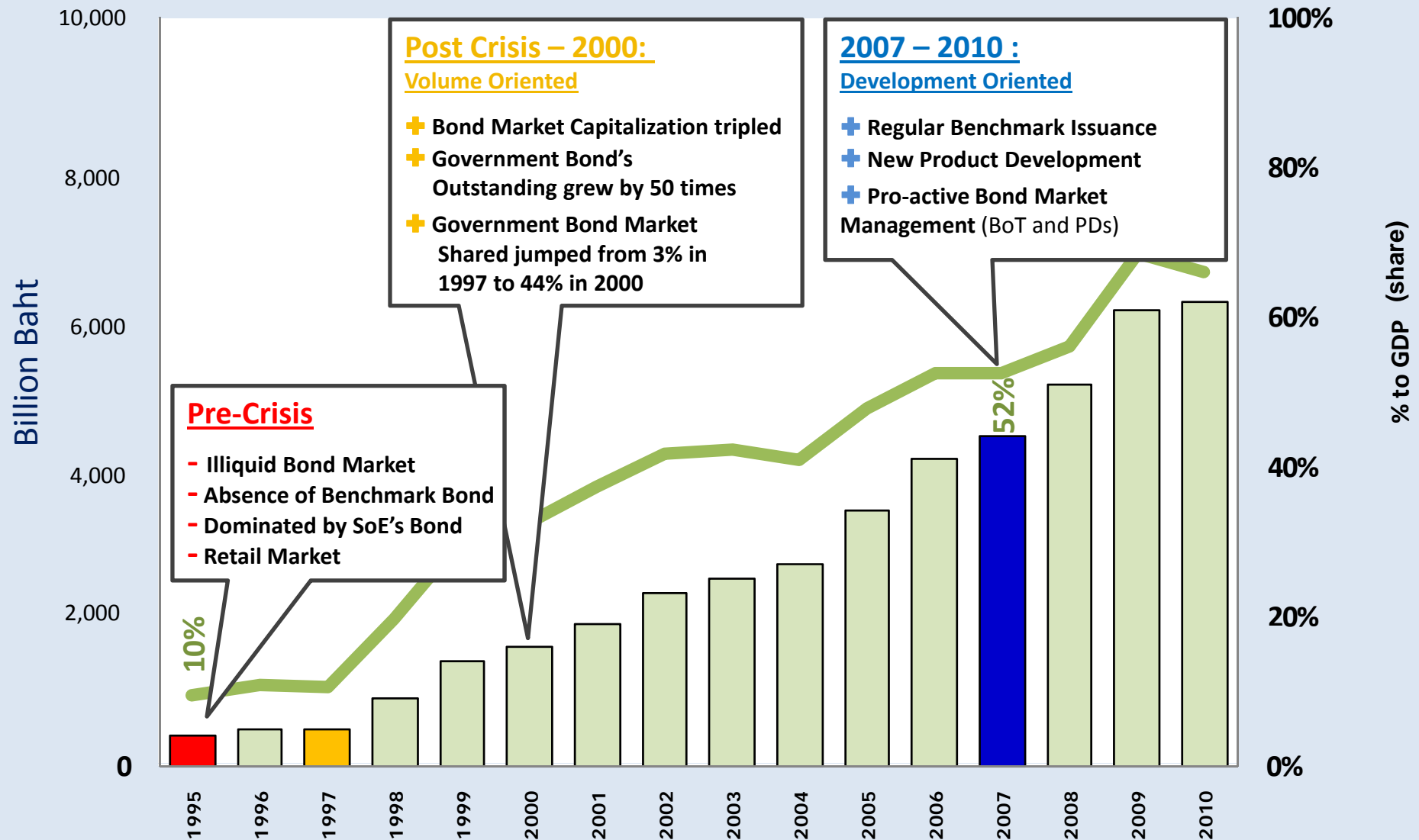
Non-existence of Bond Market (10% of GDP in 1997)



Brutal Transition

From Forced Development to Bond Market Efficiency

Bond Market Development Bureau, PDMO





Amending PDMO Act

- ✓ Amend Act to allow for government bond issuance for market development purpose
 - To ensure continuity of Benchmark Bond amidst balance Budget
- ✓ Amend Act to allow for Prefunding of large size Benchmark Bond
 - To built up sizable Benchmark Bond in order to enhance liquidity

Features Adjustment

- ✓ Increase Benchmark Bond Outstanding
- ✓ Increase Benchmark Bond Tenors
- ✓ Increase Auction Size
- ✓ Reduce Auction Frequency

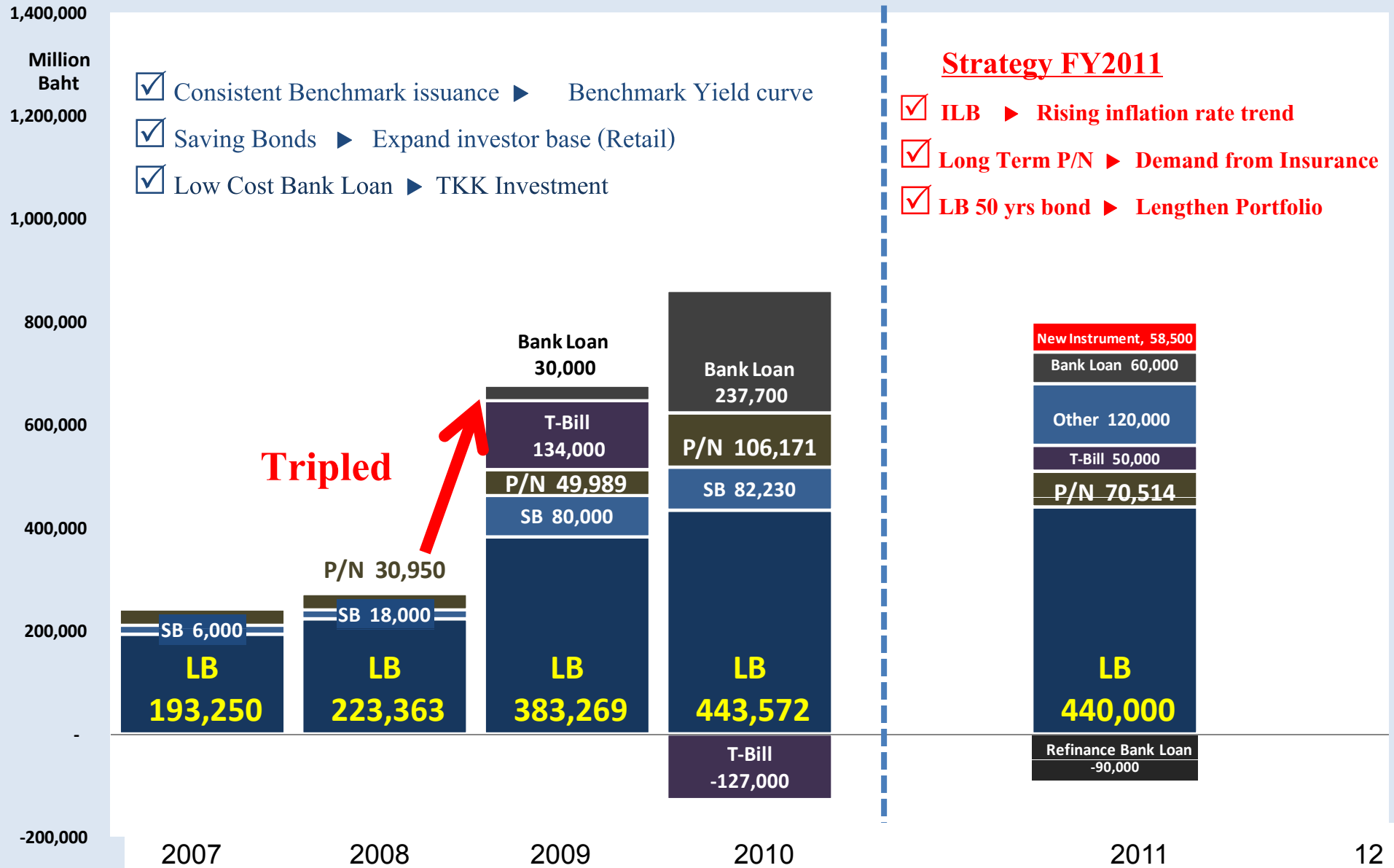
New Products

- ✓ 30-year Bond (Insurance Company)
- ✓ Floating Rate Bond (Bank)
- ✓ Step-up Saving Bond (Retail Investor)

Pro-active Management

- ✓ One-on-one (with PDs)+ Annual Market Dialogue (With PDs and Market Participants)
- ✓ Quarterly Schedule Announcement and Press Release
- ✓ MoF Award –
 1. Best Primary Market Contributor for Bond
 2. Best Primary Market Contributor for T-Bill

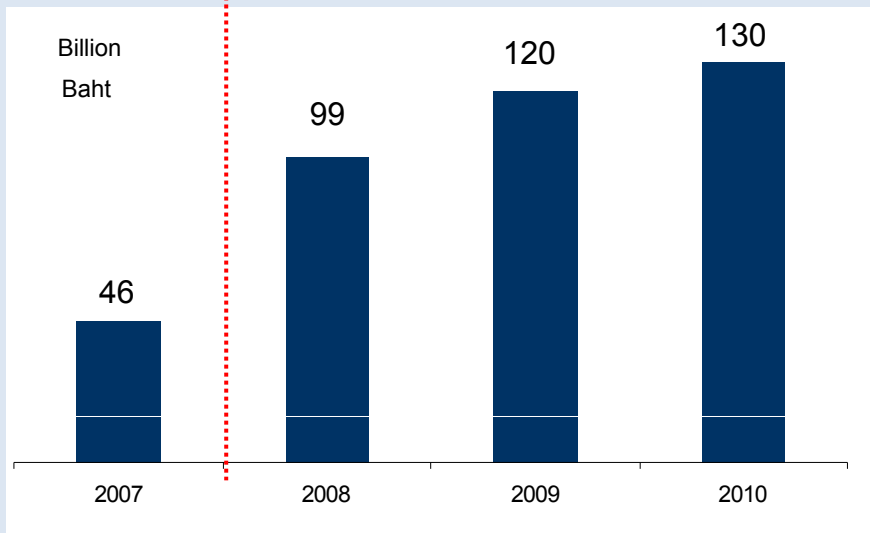
Deep and liquid bond market allows government to meet funding Requirements (tripled as a result of stimulus measures)



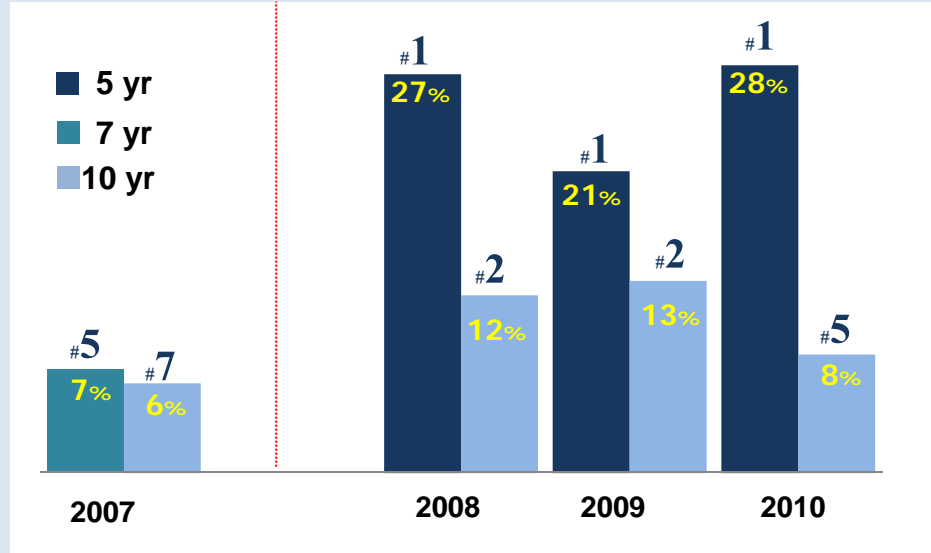
Key Success indicators

Market Liquidity Sustainable domestic funding source Lower cost of Funding

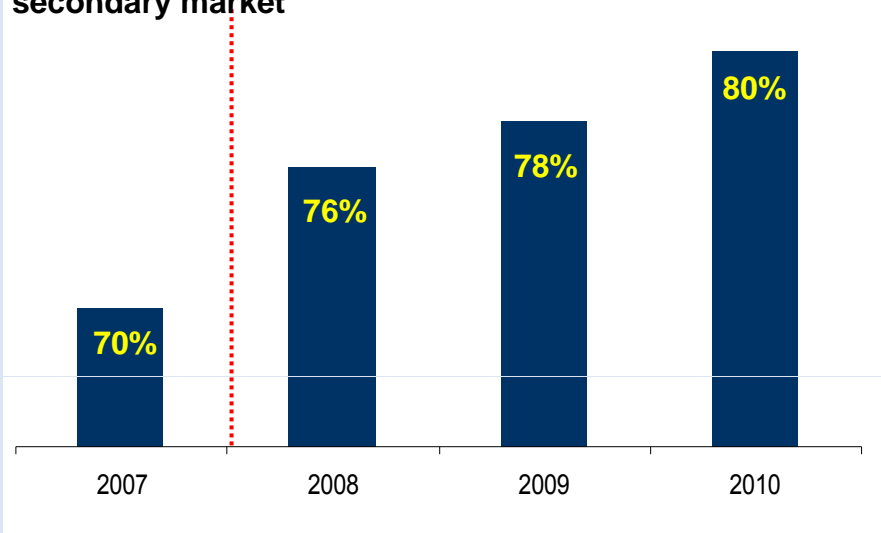
Sizeable Benchmark Bonds to enhance liquidity



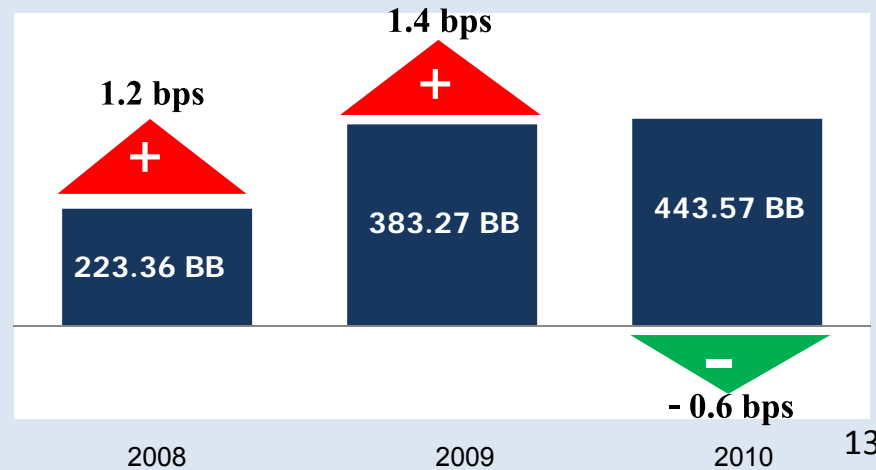
Popular Benchmark Bonds 5yr & 10yr actively traded



Market Concentration of Top 10 most actively traded in secondary market



Well developed Benchmark Bond pays off: Low Cost despite higher amount

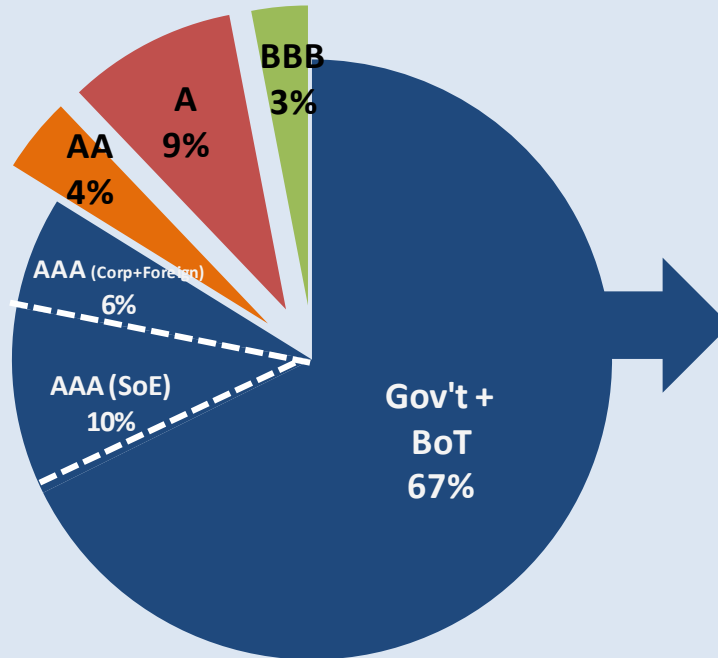


Positioning Thai Bond Market

Non Junk Bond Market 97% of Bond Market is "A" rated

As of Aug 2010

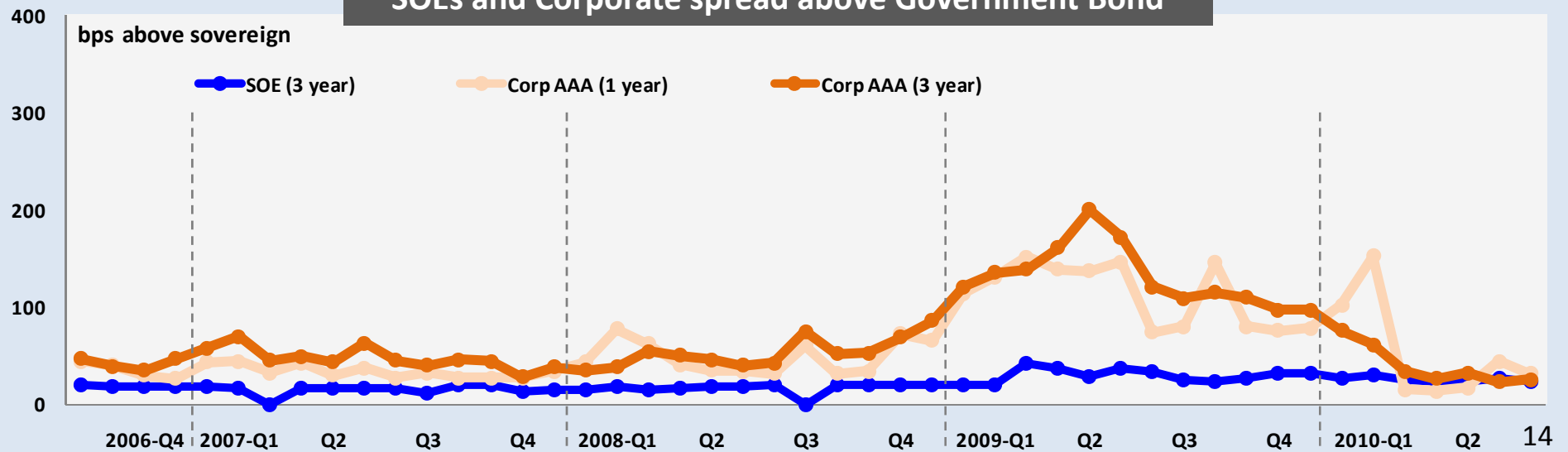
Bond Outstanding = 5,026 Billion Baht
(exclude <1 yr tenor)



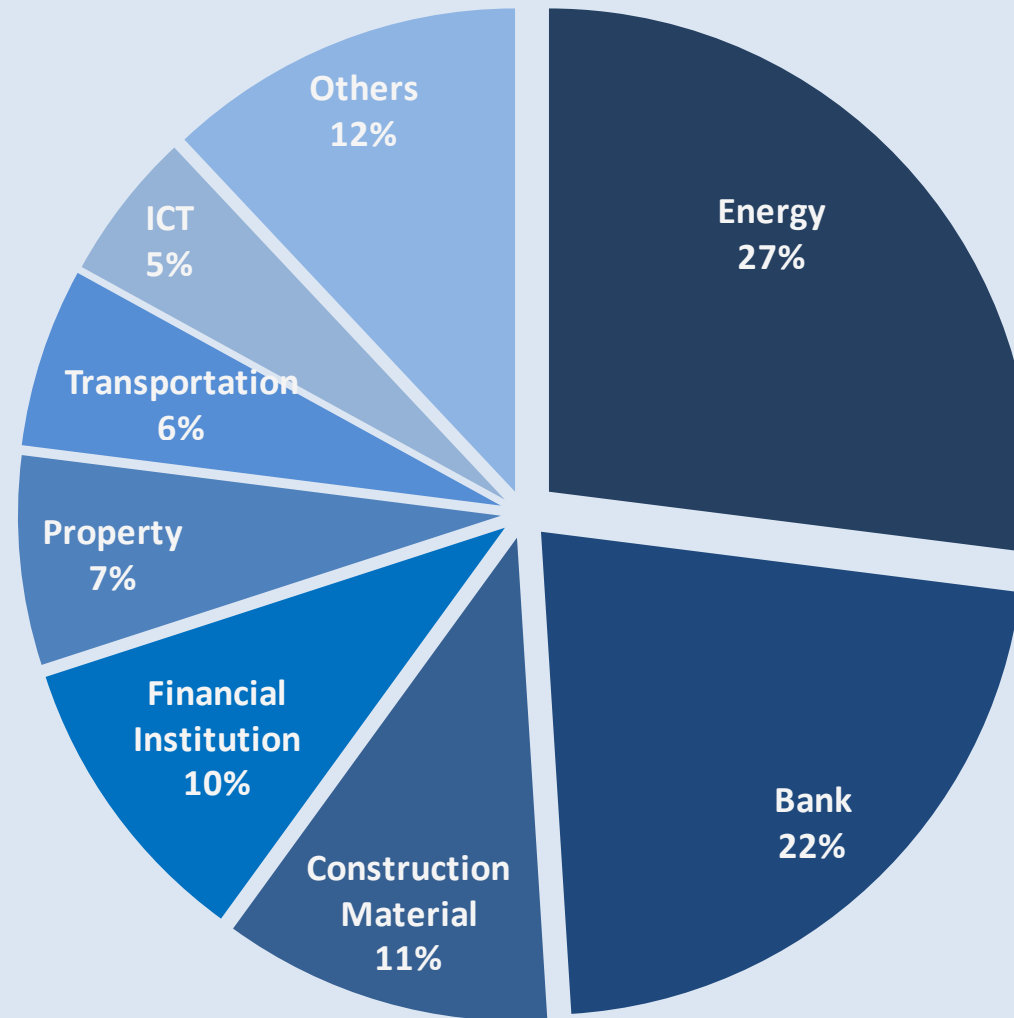
Issuer	Outstanding (Billion Baht)	%
Government	2,403	48%
Bank of Thailand	957	19%
State Owned Enterprise (AAA rated)	508	10%
Corporate (AAA rated)	271	5%
Foreign (AAA rated)	53	1%
Total	4,192	84%

* <1 year tenor = 1,439 Billion Baht (84% of which is BoT's Bill)

SOEs and Corporate spread above Government Bond



Corporate Bond shared 21% of Thai Bond Market* (90% of which are "A" Rated or Higher)

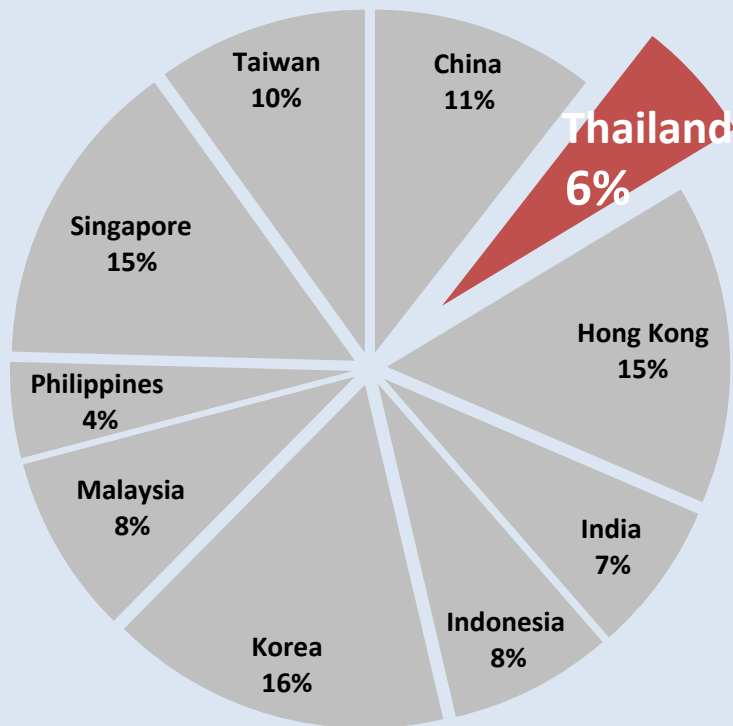


*1,105 Billion Baht

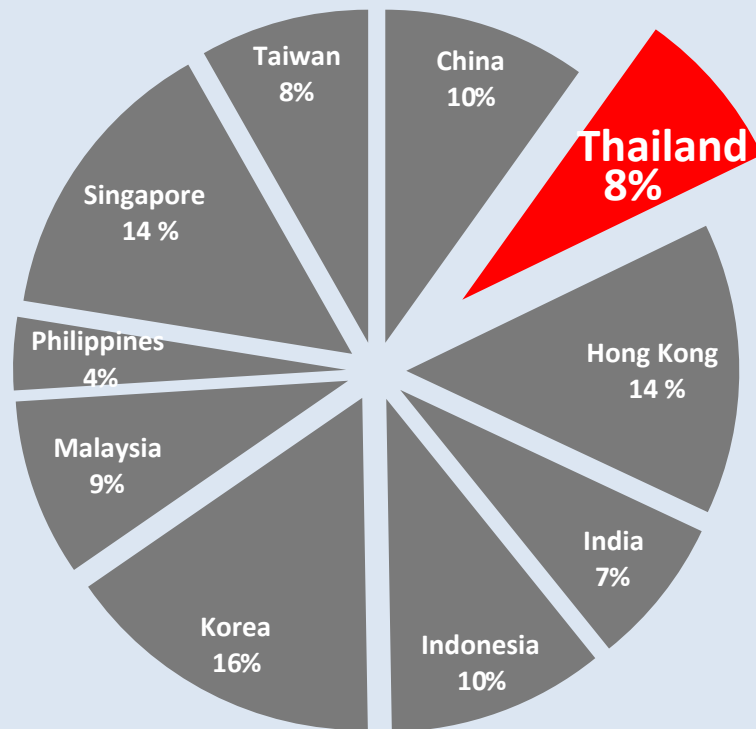
Source: ThaiBMA, as of Dec 09

HSBC Asian Local Bond Index Weighting

Sep 2008: Lehman's Crisis

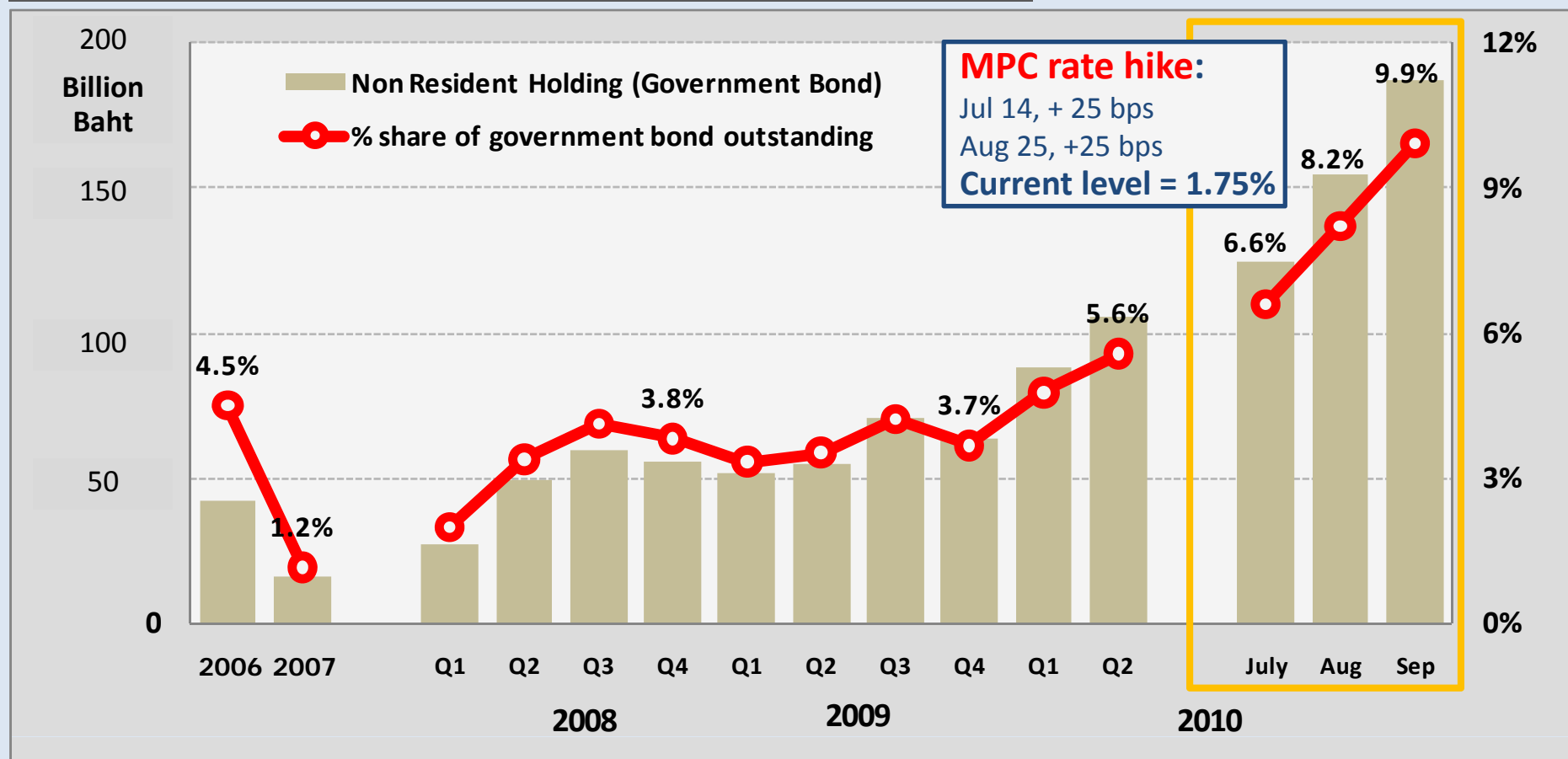


July 2010

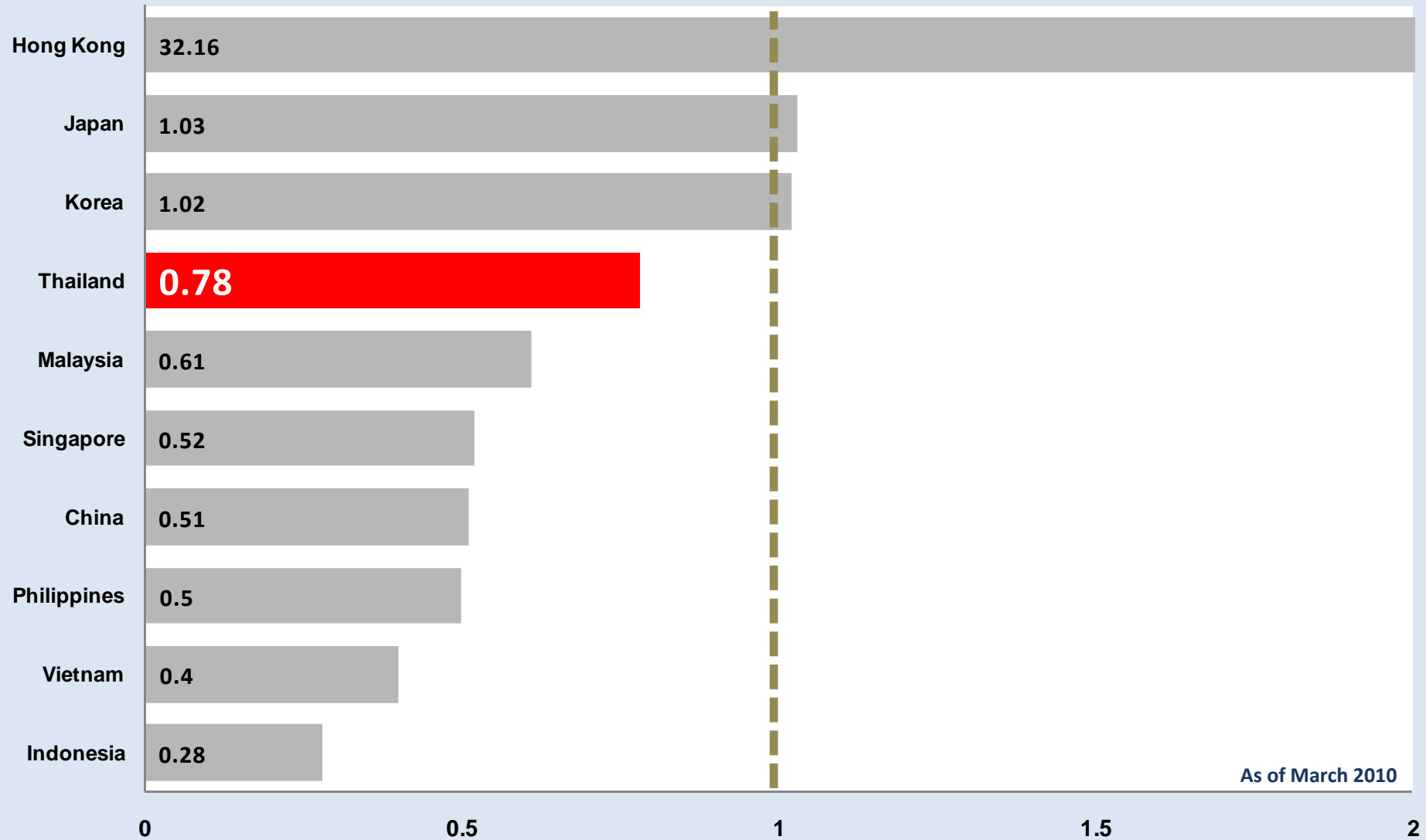


Non Resident Holding in government bond has been doubled in last 3 months

Non Resident Holding in government bond



Peers Comparison: Relatively high Liquidity in Secondary Market



As of March 2010

Initiatives introduced to encourage foreign investment and promote ease of access for foreign investors in Thai government bond market

	Singapore	Malaysia	Thailand	Philippines	Indonesia
Restrictions	None	None	None	None	None
Tax on Interest	None	None	Exempt	20% final tax, with held at source	20%, or tax treaty rate
Capital Gains Tax	None	None	Exempt	None	20%, or tax treaty rate
Custodian	MAS, Banks	ADI	Require Local	RoSS	Require Local

Source: Standard Chartered bank, ThaiBMA



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