FETCO Investor Confidence Survey

"Domestic economy both bolsters and drags down investor confidence while investors closely watch US monetary and budget reduction policies. Confidence index for August 2017 increases slightly while remaining in neutral territory for 6th consecutive month."

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Investor Confidence Index for August 2017

Dr. Santi Kiranand, representative of the Federation of Thai Capital Market Organizations (FETCO), had the following comments regarding the monthly FETCO Investor Confidence Index (ICI) for August 2017: "The Investor Confidence Index for the next three months increased slightly but remained in neutral territory. This is largely due to the sentiment that the Thai economy is recovering, especially in the export and tourism sectors. However, some investors are concerned that the Thai economic recovery is slow relative to other regional markets, as they also closely monitor the direction of US monetary policy, especially the interest rate policy and possible reductions in the US balance sheet. Meanwhile, the Stock Exchange of Thailand (SET) index increased marginally over the past month." Details follow:

- FETCO Investor Confidence Index (ICI) for the next three months (through October 2017) stood at 104.01 (within the range from 0 to 200), up 3.99% from the previous month's level of 100.01 with the index remaining in neutral territory.
- The overall ICI increased slightly. The proprietary trading group jumped into bullish territory, while the retail investor ICI rose slightly and the index for local institutional investors fell a bit, but both groups remained in the neutral range as in the previous month. The foreign investor group fell from bullish into neutral territory.
- The sector most attractive to investors was Tourism & Leisure (TOURISM), while Fashion (FASHION) remained the least attractive.
- The one factor both bolstering and dragging down the Thai stock market was the domestic economy.

"Global stock markets have recently moved up slightly with US indices rising to all-time highs due to the overall US economic recovery and the strong performance of listed companies, especially in the technology sector. The world economy as a whole is likely to expand slightly. China's economy is expected to grow although the government is still in the process of implementing stringent financial policies to control credit risk. As the European economy starts to improve, economic stimulus efforts are likely to be reduced. Meanwhile, investors continue to monitor factors affecting the flow of international capital, and in particular are keeping an eye on the direction of the US policy rate increase and any reduction in the US balance sheet. Also of note is the gradual reduction of Eurozone economic stimulus efforts. Domestically, economic growth and government investment policies are key factors boosting investment."

Interest Rate Expectation Index for August 2017

“"Results from the Interest Rate Expectation Index show that interest rates are expected to be stable at 1.50%, while 5-year and 10-year government bond yields are likely to rise. But confidence reflected in this month's index was somewhat lower than the previous forecast, with the main factors affecting it being supply in the long-term bond market and US policy rate hikes,” commented **Mr. Surat Chiracharasporn**, Head of Bond Pricing and Product Development, Thai Bond Market Association (ThaiBMA), on the release of the 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) inflation is expected to remain low under the policy framework; and 2) the trend of gradual economic growth in Thailand continues.

The Interest Rate Expectation Indices for 5-year and 10-year Thai government bonds through the next MPC meeting in September (the next nine weeks) are at 74 and 75 respectively, which are lower than the previous levels of 84 and 83. This indicates that the bond market is less confident that yields on both tiers of government bonds will rise from their current levels, owing to: 1) growing supply in the long-term debt market; and 2) continuing US policy rate hikes.

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