“Foreign and retail investors express concerns over US trade policy and FED interest rate hikes while local institutions remain optimistic about domestic economic growth as the ICI slides back into neutral territory."

FETCO Press Release: Tuesday March 21, 2017

FETCO Investor Confidence Index

Dr. Kanate Wangpaichitr, Secretary-General of the Federation of Thai Capital Market Organizations (FETCO), had the following comments about the monthly FETCO Investor Confidence Index (ICI) for March 2017: "The overall ICI for the next three months fell back into the neutral range after having risen into bullish territory last month. In the meantime, the US stock market has hit historic highs while stock markets in other regions of the world remain volatile. In Thailand, however, domestic economic growth was likely to boost the capital market." Details follow.

- FETCO Investor Confidence Index (ICI) for the next three months (through May 2017) stood at 110.24 (within the range from 0 to 200), a decrease of 8.58% from last month's 120.59, resulting in the index falling into neutral territory.
- Local institutional investors remained bullish while retail investor confidence was neutral and foreign investors’ ICI dropped into the neutral range.
- Banking (BANK) became the most attractive sector for investment while Steel (STEEL) drew the least interest from investors.
- The most influential factor bolstering confidence in the Thai stock market was domestic economic growth.
- The volatility of capital inflow/outflow was the biggest drag on the Thai capital market.

The overall global economy is still awaiting clarification with regard to US economy policy and what effects it might have on international trade. There are also risk factors associated with US tax reforms, possible trade barriers, and the expected US Federal Reserve (FED) interest rate hikes throughout 2017. Uncertainty also exists about European politics and economic policies which may change after general elections in a number of countries. And the implementation of Brexit has led to global and ASEAN equities markets fluctuating in line with interest rate trends and capital inflow/outflow within the region. Notably, the US stock market has risen to record highs. However, the Thai stock market has experienced limited movements due to encouraging domestic factors as investors continue to have a positive outlook on Thailand's economic growth prospects, especially in light of government investments, government stimulus policies, the boost provided by the tourism sector, and expanding exports. Likewise, private sector spending shows signs of improvement from growing farm incomes. Finally, the performance of listed companies in Q4 2016 was promising as most expected profits to grow.

Interest Rate Expectation Index for March 2017

Surat Chiracharasporn, Senior Vice President, Bond Pricing and Product Development Dept., Thai Bond Market Association (Thai BMA) explained, "The interest rate policy is likely to remain stable at 1.5%, while 5-year and 10-year yields are likely to rise owing to the likelihood of a gradual economic recovery and the trend of US interest rate hikes" when commenting on the March 2017 Interest Rate Expectation Index. Details follow.

The Interest Rate Expectation Index of the Bank of Thailand Monetary Policy Committee meeting to be held at the end of March stands at 51, slightly lower than last month's index at 52, reflecting that the market is more confident that the direction of interest rate policy will remain unchanged due to two main factors: first, the economy continues to grow gradually; and second, inflation is expected to remain low under the policy framework.

The Interest Rate Expectation Indices for 5-year and 10-year Thai government bonds over the next six weeks stand at 86 and 89 respectively, which is higher than the previous month's 83 and 86. These increases indicate that the market is more confident that yields on Thai government bonds with both the 5- and 10-year terms to maturity will be higher. The main factors influencing expectations are the possibility of a US interest rate hike as well as supply and demand in the bond market.

For more information, please contact
Federation of Thai Capital Market Organizations (FETCO)
telephone: 02 009 9370-3 or email: fetco@set.or.th