

“Global economy refocuses on risk as uncertainty clouds US economic policy while the Investor Confidence Index falls but remains in the neutral range for the second consecutive month.”

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#### FETCO Investor Confidence Index

Dr. Kanate Wangpaichitr, Secretary-General of the Federation of Thai Capital Market Organizations (FETCO), made the following comments about the monthly FETCO Investor Confidence Index (ICI) for April 2017: "Overall, the Investor Confidence Index for the next three months declined but remained in neutral territory. This has resulted because the upswing of the US stock market has been hampered by the failure of the Trump administration to pass a new US health insurance bill. Meanwhile, stock markets in emerging countries have benefitted from capital inflows, and the Thai stock market rebounded slightly in line with regional markets." Details follow:

- FETCO Investor Confidence Index (ICI) for the next three months (through June 2017) stood at 90.33 (within the range from 0 to 200), a decrease of 18.06% from last month's 110.24, with the index remaining in neutral territory.
- ICI for all investor groups fell, but especially among the proprietary trading group whose confidence fell from bullish to bearish. Local institutional investor confidence dropped from bullish to neutral, while retail investor ICI was down but still within the neutral range like the previous month.
- The Banking (BANK) sector drew the most investor interest, while Finance & Securities (FIN) was the least attractive sector.
- The most important factor bolstering the Thai stock market is the government investment policy.
- The factor being the biggest drag on the Thai stock market is the volatility of capital inflow/outflow.

Dr. Kanate continued, "Thailand's stock market, having dropped in February, rebounded in the past month in line with regional markets, a rise that was mainly due to external factors. This was evidenced by the net buying of foreign investors in March, which corresponds to the stock market activity in other ASEAN members. However, Thailand's recovery is low compared to neighboring countries owing to the fact that the Thai stock market outperformed other markets in the prior year. In addition, the recovery in commodity prices helped boost other countries whose economies depend heavily on commodities. There were only a few internal factors contributing to the improved Thai stock market. The stocks with the most prominent gains were in agricultural products and petrochemical products, two sectors benefitting from positive foreign influences. Furthermore, the communications, construction materials, and health care services sectors recovered after the previous downtrend.

"In the upcoming period, the Thai stock market is likely to be primarily influenced by foreign factors including especially: the international capital flows arising from the uncertainty of US economic and trade policies; the US interest rate hike which, however, might not have a significant impact on the market since most investors have already anticipated it; and political uncertainty in European countries that may create periodic volatility in the market. With regard to factors within Thailand, the domestic economic recovery continues to boost the stock market, especially in light of pent-up consumer spending which is a reflection of the slowdown in demand during the nation's period of mourning. Nevertheless, the risk from the downward revision of earnings estimates for listed companies and the fundamentally highly-valued market may be major impediments to the performance of the Thai stock market."

Ms. Voravan Tarapoom, Chairman, Federation of Thai Capital Market Organizations (FETCO), provided her perspective on the important factors driving the Thai economy, saying, "During the remainder of the year, government investments will continue and are expected to grow 6.7% from the many projects for which bidding is already underway (though government investments will be lower than 2016's due to that year's high base). Nevertheless, government investments have been growing for two consecutive years, exports have started to recover from the rise in commodity prices in 2016, and world trade has begun to have a positive outlook.

"Over the past month, SET trading volume fell in line with neighboring countries due to a lack of positive influences. This has resulted in a "sideways" trading market even though funding

inflow has revived, but it's more typical of a country allocation scenario. However, positive factors that should boost continued SET growth include: 1Q17 earnings of the commercial banking sector which will be announced later this month; fiscal measures and government investment that will help ensure private sector confidence; additionally, foreign direct investment (FDI) inflows are expected to increase after the Thailand Board of Investment (BOI) issued additional tax relief measures to draw more European Economic Community (EEC) investments. However, caution is warranted with regard to delays in the disbursements for infrastructure investments, the rise of farming incomes not being broad-based, US trade policy toward trading partners which could result in the Thai export sector and FDI being directly affected, and the continuity of earnings growth of the commerce and banking sectors."

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