

"Investors monitor international capital flows and their impact on exchange rates while February 2018 Investor Confidence Index remains bullish for the 3rd consecutive month."

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Dr. Santi Kiranand, representative of the Federation of Thai Capital Market Organizations (FETCO), commented on the monthly FETCO Investor Confidence Index (ICI) for February 2018: "The Investor Confidence Index for the next 3 months increased slightly, remaining in bullish territory for the third month in a row. Main factors boosting confidence are international capital flows and regional and domestic economic growth rates, which are expected to increase over last year. However, other factors are dampening confidence as investors closely watch the movement of international capital which impacts the exchange rate, with the dollar weakening while regional currencies continue to appreciate. The Baht has strengthened to THB 31 per dollar, and this rate may affect the performance of businesses in the export sector. Meanwhile, the Stock Exchange of Thailand (SET) Index in January continued its upward trend, rising to historic highs." Details follow:

- FETCO Investor Confidence Index (ICI) for the next three months (through April 2018) stood at 156.62, staying within the ICI's bullish range of 120–160, and rising 1.74% from the previous month's level of 153.94.
- The overall ICI rose slightly as foreign investors and proprietary traders remained very bullish. ICI's for local institutional investors and retail investors rose but remained bullish as they were the previous month.
- The Banking (BANK) sector drew the most investor interest while Electronic Components (ETRON) was least attractive for investing.

- International capital flows were seen by some investors as the biggest factor boosting confidence, while at the same time other investors saw international fund flows as the biggest drag on confidence.

"During January, the SET Index jumped to record-breaking highs, with a closing of 1838.96 points on January 24, 2018. Investors remain confident that international capital flows will bolster the stock market with the influx of capital and strengthen the Baht while confidence also remains strong in global and domestic economies, which are projected to grow from last year. The IMF has revised up its global GDP forecast for 2018–2019 to 3.9%, making most investors remain bullish. However, the global fund flow is also considered as a drag on investments by investors since capital inflow can impact the Baht and regional currencies, and may thus impact the performance of listed companies. Another concern is the possibility of accelerating inflation in the US and Europe, and the expectation that US interest rates are likely to be raised gradually 3 or 4 times this year."

#### Interest Rate Expectation Index for February 2018

"Results from the Interest Rate Expectation (IRE) Index show that interest rates are expected to remain stable at 1.50%, while yields on 5-year and 10-year government bond are likely to increase. The primary factors driving this sentiment are the Thai economy's gradual growth and inflation rates which are still lower than the policy framework."

Ariya Tiranaprakij, Deputy Managing Director of Thai Bond Market Association, commented on the Interest Rate Expectation Index for February 2018 with the following details.

The Interest Rate Expectation Index for the Bank of Thailand's Monetary Policy Committee (MPC) meeting in February stands at 52, reflecting market confidence that the MPC will maintain its policy rate at 1.50% based on three main factors: 1) the moderate expansion of the Thai economy; 2) inflation remains low; and 3) interest rates in global financial markets.

Meanwhile, Interest Rate Expectation Indices for 5-year and 10-year government bond yields through the March 2018 MPC meeting (11 weeks hence) are at 78 and 87, respectively. The IRE Index for 5-year government bond yields has fallen from its previous level of 83, while the index for 10-year government bonds has risen from its previous level of 83. Both indices indicate the expectation that interest rates will increase, but the market is more confident that



the yield on 10-year government bonds will rise. Survey respondents cited four main factors affecting their outlooks: 1) supply & demand in the Thai bond market; 2) fund flows; 3) expectations of a US interest rate hike; and 4) inflation rates and growth prospects for the Thai economy.

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