

“August 2018 Confidence Index up for the second month and in neutral territory for the fourth consecutive month. Investor confidence boosted by domestic economic growth but dampened by international capital flows and trade wars.”

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Paiboon Nalinthrangkurn, Chairman of the Federation of Thai Capital Market Organizations (FETCO), commented on the August 2018 FETCO Investor Confidence Index (ICI): “The Investor Confidence Index for the next three months was up for the second month while remaining neutral for the fourth month in a row. Survey results show investor confidence being buoyed by domestic economic conditions, the decrease in net sales by foreign investors, and the performance of listed companies. At the same time, investors remain concerned about international capital inflows/outflows and the potential impact of trade and investment barriers.”

Results of the FETCO Investor Confidence Index for August 2018 are summarized below:

- FETCO Investor Confidence Index (ICI) for the next three months (through October 2018) rose 6.69% to 108.11 and remained in the neutral range of 80–120.
- Foreign investor ICI rose slightly from the previous month and remained within the bullish zone.
- ICIs for proprietary traders and local institutional investors increased slightly while retail investor confidence fell slightly, but all remained within the neutral zone.
- Banking (BANK) was considered the sector with the most interesting investment opportunities.
- Steel (STEEL) was the least attractive sector for investors.
- The factor having the greatest positive impact on the Thai stock market was the domestic economy.

- The biggest drag on the stock market was concern about international capital flows.

“During July, the SET index trended higher in the first half of the month, and midmonth the index continued to increase, rising from a low of 1601.42 at the beginning of the month to a peak of 1701 points at the end of the month. This upswing was driven by the decrease in foreign net sales during July, confidence that Thai economic growth would continue, and projected GDP growth of 4–5% in line with government stimulus measures. For investment trends over the next three months, investor confidence is buoyed by Thai economic growth, expected declines in foreign investors' net sales, and listed companies' earnings. Nevertheless, investors are still concerned about international capital flows resulting from trade barriers and trade wars, which pose significant risks to the global economy. Meanwhile, inflation rates and interest rate policies are risk factors that investors are monitoring the most closely. With regard to regional economies, the main issue to consider is the global economic outlook. Although the IMF has estimated that the global economy will continue to grow at 3.9%, there are concerns that trade wars could affect global economic growth in 2020. Other factors include the UK BREXIT negotiations, which appear headed toward compromise; the European Central Bank's signaling that the current interest rate will be maintained throughout this year; and Japan's monetary policy may be subject to change. At the same time, the likely impact of trade wars on the Chinese economy must be considered, including China's easing of monetary and fiscal policies and the depreciation of the yuan, all of which can have an impact on regional economies.”

Interest Rate Expectation Index for August 2018

“Results from the Interest Rate Expectation Index show that interest rates are expected to remain stable at 1.50%, while yields on 5-year and 10-year government bonds are likely to increase. The primary factors driving this sentiment are inflation rates trending higher and Thailand's positive economic growth.”

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

The Interest Rate Expectation Index for the Bank of Thailand's Monetary Policy Committee (MPC) meeting in August stands at 54, reflecting market confidence that the MPC will maintain its policy rate at 1.50% at the upcoming meeting. Main factors leading to this sentiment include an inflation rate which remains within the policy framework, expectations of continued economic growth, and US interest rate hikes. Nevertheless, the market is starting to anticipate a policy interest rate increase.

Interest Rate Expectation Indices for 5-year and 10-year government bond yields through the September MPC meeting (11 weeks hence) are at 93 and 87, respectively, with the 5-year bond index up from the previous level of 90 while the 10-year bond index is down from 92. Both indices are still at levels that reflect the upward trend in yields on 5-year and 10-year government bonds; however, the 10-year government bond has a lower level of confidence. Respondents focused on supply and demand in the Thai bond market, US interest rate trends, and foreign investment flows. Bond dealers also cited exchange rates as an important factor.

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