

"Investor Confidence Index for September 2018 up for third consecutive month, staying in neutral zone for fifth month. Domestic economic growth buoys investor confidence while international trade barriers and capital flows negatively impact investor sentiment."

FETCO Press Release: Monday September 10, 2018

Paiboon Nalinthangkurn, Chairman of the Federation of Thai Capital Market Organizations (FETCO), made the following comments about the September 2018 FETCO Investor Confidence Index (ICI): "The Investor Confidence Index for the next three months rose slightly and remained in neutral territory for the fifth month in a row. Survey results show investor confidence being boosted by domestic economic conditions and the performance of listed companies. At the same time, investors remain concerned about the impact of trade and investment barriers and international capital flows."

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

- FETCO Investor Confidence Index (ICI) for the next three months (through November 2018) increased slightly to 109.45 (1.24%) and remained in the neutral range of 80–120.
- Foreign investor ICI fell slightly from the previous month but remained within the bullish zone.
- ICIs for local institutional investors and retail investors increased while proprietary traders' ICI was unchanged. All three groups remained in the neutral zone.
- The Banking (BANK) sector was seen as having the most attractive investment opportunities.
- Media & Publishing (MEDIA) drew the least investor interest.
- The factor having the greatest positive impact on the Thai stock market was the domestic economy.

- International conflict was the biggest drag on the Thai bourse.

“During August, the SET index was relatively stable moving between 1680–1720 points after having recovered in July. The SET Index moved towards the 1720 level at the end of the month as foreign investor net selling fell for the third consecutive month (following May's high foreign investor net sales). Domestic GDP continued to expand in Q2, and listed companies posted satisfactory second quarter earnings. For investment trends over the next three months, investor confidence is boosted by the Thai economy and the performance of listed companies. However, investors continue to monitor the direction of trade negotiations between the US and its trading partners after the implementation of trade barriers and increased tariffs. Investors worry whether there will be a relaxation in the current trade wars or whether negotiations will provide a lasting solution. Also of concern is the related impact on the global economy, especially in emerging markets such as Turkey, which has been impacted by tariff increases and declining currency values. There is also the fear that if the international trade conflicts intensify the global economy will slow down. Another important point to consider is the direction of US monetary policy and the expected two interest rate increases this year, which are a result of the growing economic strength of the United States; meanwhile China's and Europe's economies are slowing down. European monetary policy will likely keep interest rates unchanged throughout the year, while the direction of China's economic policy will depend on the ongoing trade war. Moreover, fluctuations of the US dollar will further impact regional economies.”

Interest Rate Expectation Index for September 2018

“The Interest Rate Expectation Index indicates that the interest rate policy of 1.50% is expected to remain unchanged while the yields on 5-year and 10-year government bonds are expected to increase. Primary factors driving this sentiment are continuing Thai economic growth and increasing inflation rates.”

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

- The Interest Rate Expectation (IRE) Index for the Bank of Thailand's Monetary Policy Committee (MPC) meeting in September 2018 stands at 56, the highest level in a year but still reflecting the market's sentiment that the policy rate of 1.50% will be maintained at the upcoming MPC meeting. Bond dealers and fund managers have different opinions with regard to the main factors influencing their outlooks. Bond dealers give most weight to economic growth and inflation while fund managers focus on fund flows and global interest rates.

Interest Rate Expectation Indices for 5-year and 10-year government bond yields through the November MPC meeting (11 weeks hence) are at 94 and 91, respectively. The IRE Index for 5-year government bonds is up slightly from 93, while the index for 10-year government bonds rose significantly from 87. The levels of both indices reflect upward trends for 5-year and 10-year government bond yields. Bond dealers and fund managers agree as to the factors affecting government bond yields, namely supply and demand in the bond market, foreign fund flows, and global interest rate trends.

For more information, please contact
Federation of Thai Capital Market Organizations (FETCO)
Telephone: 02 009 9371-2 or email: fetco@set.or.th