ThaiBMA-FETCO

Interest Rates Expectation Survey

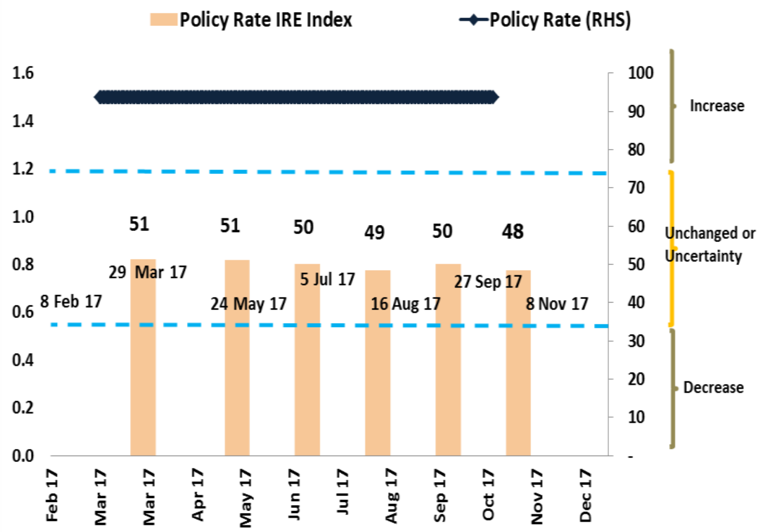
Interest Rates Expectation Index Report

Nov 2017

♣ Interest Rate Expectation Index for November 2017♣

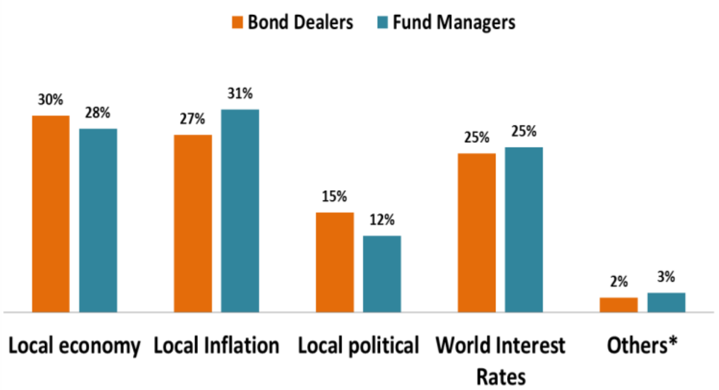
The Interest Rate Expectation Index for the Bank of Thailand's Monetary Policy Committee (MPC) meeting in November stands at 48, reflecting that the market remains confident that the MPC policy rate will be maintained at 1.50%, due to two primary factors: the low inflation rate and a moderate rate of economic growth in Thailand. Meanwhile, Interest Rate Expectation Indices for 5-year and 10-year government bond yields through the December MPC meeting (6 weeks hence) are at 86 and 89 respectively, which are significantly higher than the previous levels of 69 and 68. This changing market view reflects the belief that yields for both series of government bonds will rise due to decreasing demand in the bond market and possibility of a US interest rate policy hike.

Policy Rate IRE Index compared to Policy Rate



♣ **The Interest Rate Expectation Index** for the next Bank of Thailand MPC meeting being held **November 8, 2017 stands at 48**, remaining in the **unchanged** range, thus reflecting market sentiment that the MPC will leave the **policy rate at 1.50%,** similar to previous forecasts. Bond dealers and fund managers responding to the survey had the same consensus.

Factors Affecting the Interest Rate Policy Trends



♣**The top three factors influencing the interest rate policy forecasts** by bond dealers and fund managers—ordered from the most important—include the following:

- Thailand's low inflation rate
- The domestic economy
- Interest rate policies in world financial markets

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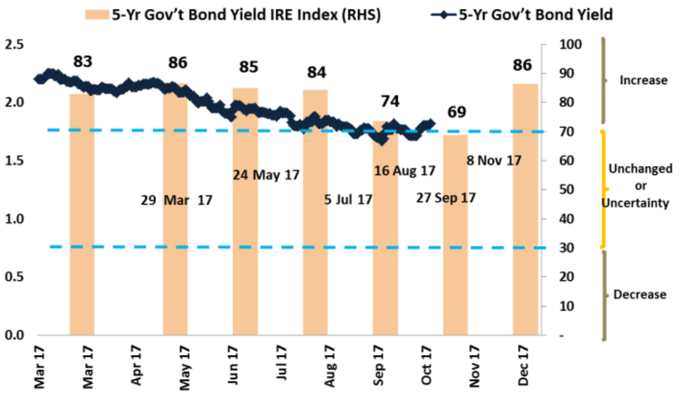
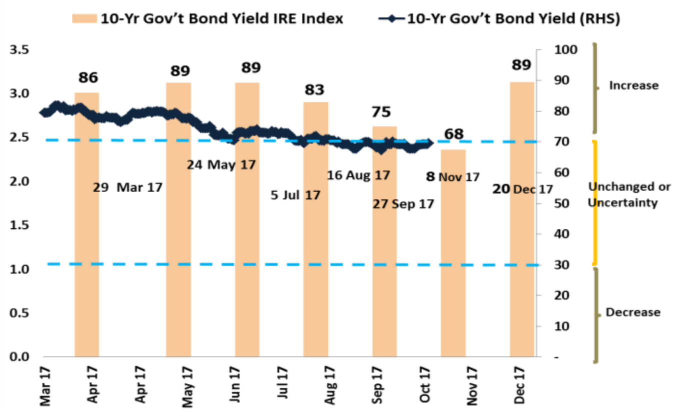
5-Year IRE Index compared to 5-Year Government Bond Yields



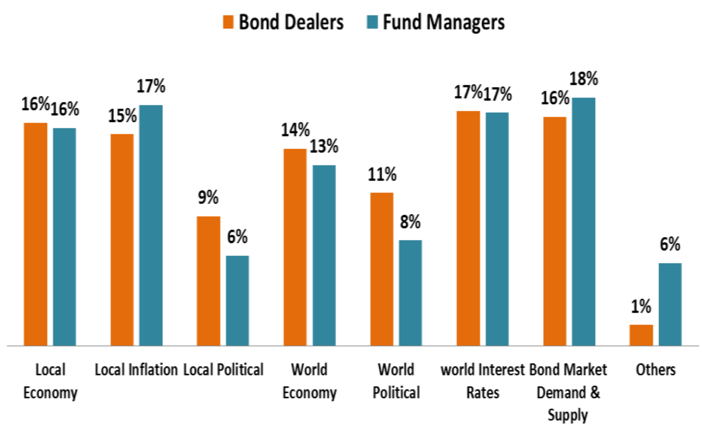
♣ **The Interest Rate Expectation Index for 5-Year Government Bonds** through the next two meetings of the Bank of Thailand MPC (through December 20, 2017) **stands at 86**, up significantly from the previous level of 69 and a rise into the index **increase range**. These results reflect that the market has changed its outlook and is confident that yields on 5-year Government Bonds will increase to 1.77% in the nine weeks after October 19, 2017. Both bond dealers and fund managers share the same view.

10-Year IRE Index compared to 10-Year Government Bond Yields



♣ **The Interest Rate Expectation Index for 10-Year Government Bonds** for the period through the next two Bank of Thailand MPC meetings (through December 20, 2017) **stands at 89**, up significantly from the previous index of 68. This rise into the index **increase** territory reflects the market's confidence that the 10-year Government Bond yields will increase to 2.41% in the nine weeks following October 19, 2017. Both bond dealers and fund managers share the same view.

Factors Affecting Long-term Government Bond Yields



♣ Bond dealers and fund managers agree as to four factors affecting yields on 5-Year and 10-Year Government Bonds, which are listed below in order of importance.

- A downward-trending demand in the bond market
- Expected US interest rate hikes
- Rising Thai inflation rates
- Prospects for continued economic expansion in Thailand