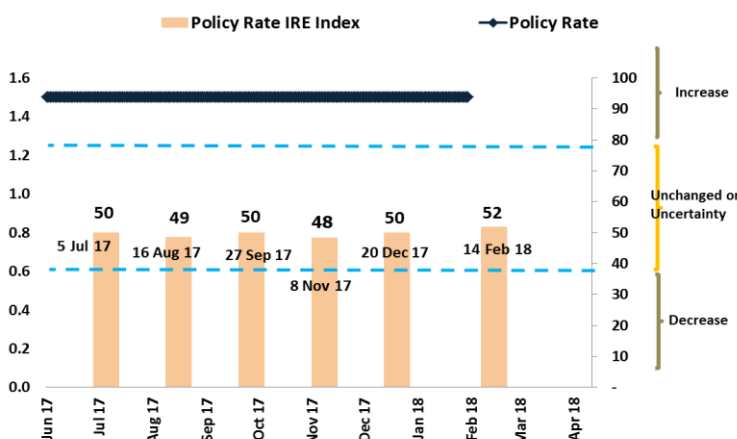


### ♣ Interest Rate Expectation Index for February 2018 ♣

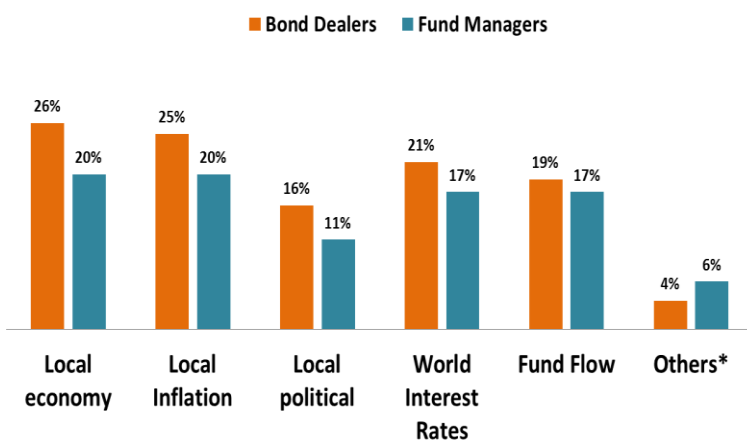
The Interest Rate Expectation (IRE) Index for the Bank of Thailand’s Monetary Policy Committee (MPC) meeting in February stands at 52, reflecting that the market remains confident that the MPC policy rate will be maintained at 1.50%, due to two primary factors: the prospects for Thai economic growth remain moderate, and the inflation outlook is staying below the policy framework. Meanwhile, Interest Rate Expectation Indices for 5-year and 10-year government bond yields through the March MPC meeting (11 weeks hence) are at 78 and 87, respectively. The Interest Rate Expectation Index for 5-year government bond yields has fallen from its previous level of 83, but is still within the range of an expected increase. Meanwhile, the index for 10-year government bonds has increased from 83, indicating the market has greater confidence that 10-year government bond yields will rise. Both government bond IRE indices reflect the impact of supply & demand in the Thai bond market, the directions of the increased fund flows, and the probability of US policy rate hikes.

#### Policy Rate IRE Index compared to Policy Rate



♣ The Interest Rate Expectation Index for the next Bank of Thailand MPC meeting being held February 14, 2018 stands at 52, 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.

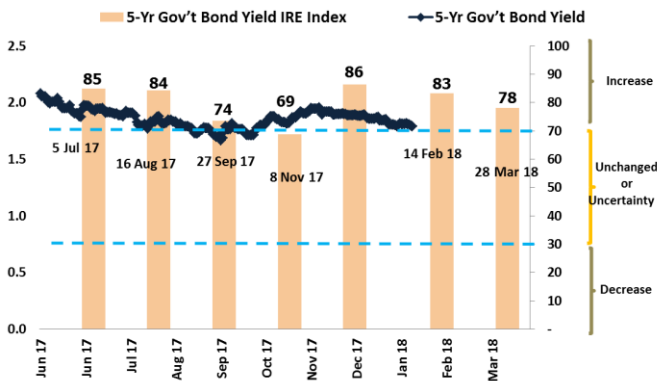
### Factors Affecting the Interest Rate Policy Trends



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

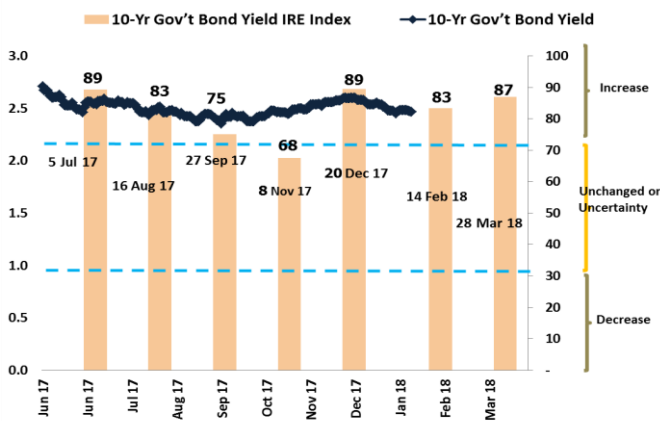
- The domestic economy
- Low inflation rate
- Interest rate policies in world financial markets

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



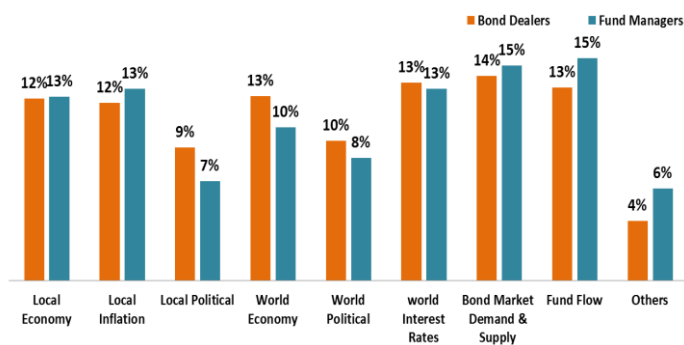
♣ The Interest Rate Expectation Index for 5-Year Government Bonds through the next two meetings of the Bank of Thailand MPC (through March 28, 2018) stands at 78, slightly lower than the previous level of 83, but still remaining in the index's increase range. These results reflect that the market is less confident that yields on 5-year Government Bonds will increase to 1.81% in the 11 weeks after January 22, 2018. 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 March 28, 2018) stands at 87, an increase from the previous index of 83, and still in the increase range. This reflects the market's greater confidence that the 10-year Government Bond yields will increase to 2.48% in the 11 weeks following January 22, 2018. 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.
- Supply & demand in the Thai bond market
  - Fund Flow
  - Expected US interest rate hikes
  - Inflation rate and prospects for economic expansion in Thailand

*Disclaimer: The Interest Rate Expectations Survey was developed with the objective to present statistical data related to Thai capital market and to report on interest rate trends over the next six weeks according to the MPC meeting. The indexing is only a prediction of interest rate trends from bond traders and bond fund managers, who may have different opinions. Our team makes no representations about the accuracy of the information nor is it liable for any damages. If any person reproduces, falsifies, reposts, modifies, publishes, or otherwise uses the data contained herein in a manner that is exploitive for trading purposes or that creates a wrongful benefit without prior permission, all or part of the team reserves the right to act in accordance with the law.*