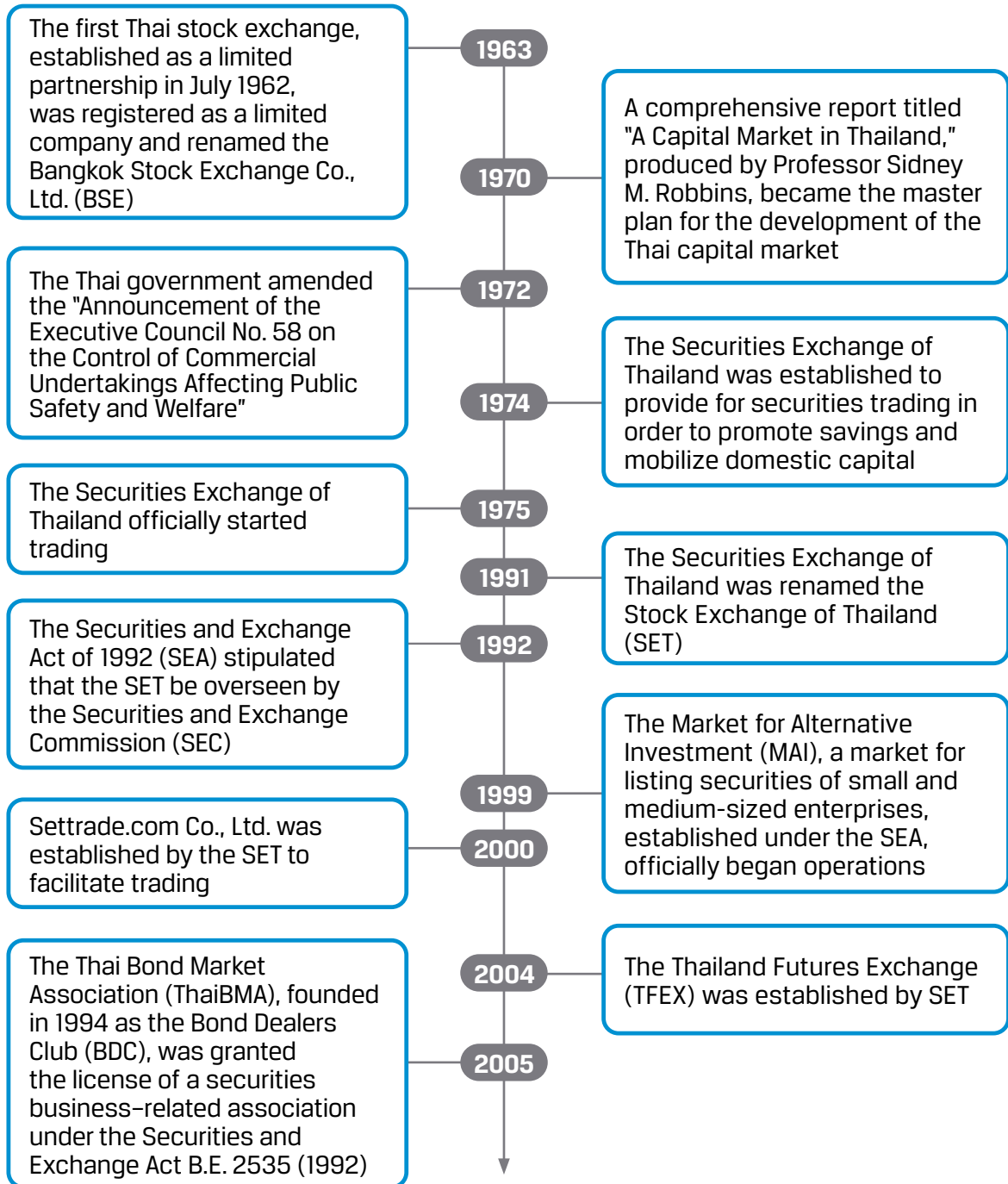


# THAILAND



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Equity Market Capitalization (USD)	471.57 Bn*	419.12 Bn**	Debt Market Capitalization (USD)
Equity Market Cap/GDP	87%*	77%**	Domestic Debt Market Cap/GDP
Equity Market Share Volume Traded (USD)	412,970 Mn**	2,830 Mn†	Debt Market Instrument Volume Traded (USD)
Number of Listed Companies	724*	199††	Number of Issuers (Bonds)

\*As of the second quarter of 2020

\*\*As of 2019

†Per day as of 2019

††In Q2 2020 only

The formation of the capital market in Thailand can be traced to 1963 with the registration of the Bangkok Stock Exchange (BSE). The BSE, however, operated as an informal securities exchange market with little trading volume. Stock trading formally commenced in Thailand in 1975 on the Securities Exchange of Thailand, which was renamed the Stock Exchange of Thailand (SET) in 1991. As of mid-2020, SET ranks 25th in terms of market capitalization among the stock exchanges around the world and is the 11th largest stock market in the Asia-Pacific region, with a market capitalization of roughly USD471.6 billion in Q2 2020.

As shown in **Figure 1**, the total number of companies listed on SET and the Market for

Alternative Investment (MAI) has been increasing steadily during the past 10 years, from 541 companies in 2010 to 724 companies in Q2 2020. The growth in size of listed companies (as measured by market capitalization) is illustrated in **Figure 2**. The market capitalization of SET and MAI has increased significantly over the past 10 years, from USD270.6 billion in 2010 to USD471.6 billion in Q2 2020.

## EQUITIES

In the Thai capital market, there is only one securities exchange: SET Group. SET Group provides a wide variety of securities exchange services, including listing and trading, clearing

**FIGURE 1. TOTAL NUMBER OF LISTED COMPANIES ON SET AND MAI, 2010-Q2 2020**

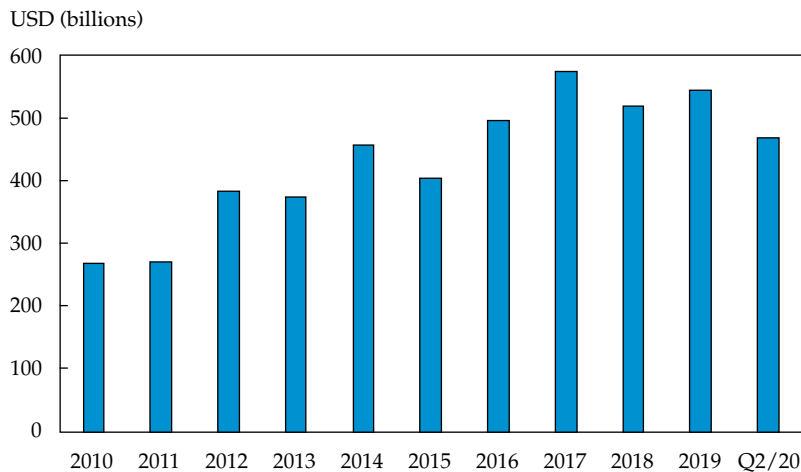


Source: SETSMART.

and settlement, depository, and market supervision. SET Group operated a local bond market, the Thailand Bond Exchange (TBX), from 2003 to 1 March 2021. SET Group recently ceased

trading on TBX due to inactivity and traders' lack of interest in bond trading. SET Group also operates a derivatives market, the Thailand Futures Exchange (TFEX), which was founded

**FIGURE 2. MARKET CAPITALIZATION OF SET AND MAI, 2010-Q2 2020**



Source: Stock Exchange of Thailand.

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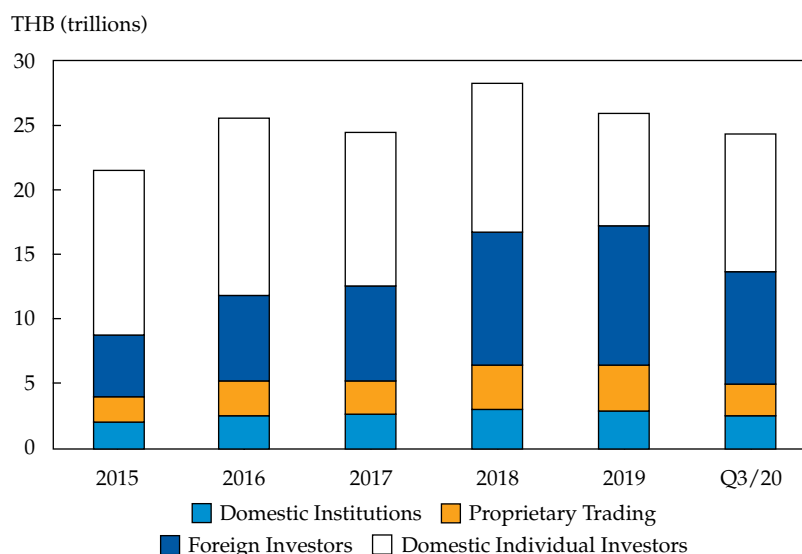
in 2004. TFEX is an exchange for trading futures and options on various underlying assets. Trading activities of all derivative products traded on TFEX are supervised by SET Group.

Under SET Group, there are two equity bourses: SET and MAI. The SET bourse is for established companies with a minimum market cap of THB7.5 billion. The MAI bourse is for young companies and has no minimum market capitalization requirement. As of mid-2020, 555 companies are listed on the SET bourse, with a total market capitalization of THB14.41 trillion, and 169 companies are listed on the MAI bourse, with a total market capitalization of THB207.2 billion. Various types of equity instruments are available on the SET and MAI bourses—namely, common stock, preferred stock, warrants, unit trusts, non-voting depository receipts (NVDRs), and depository receipts (DRs). Other types of instruments include derivative warrants (DWs), exchange-traded funds (ETFs), real estate

investment trusts (REITs), property funds (PFs), and infrastructure funds (IFFs).

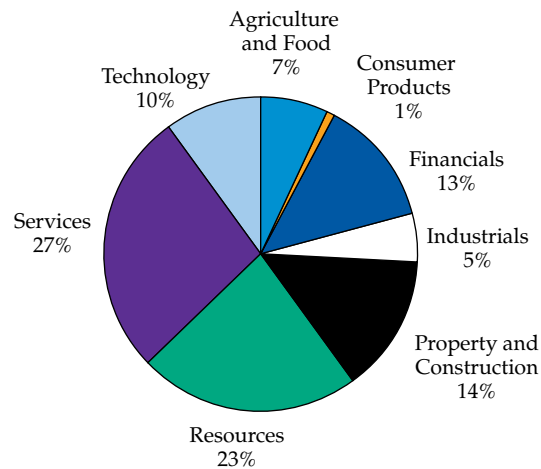
SET and MAI investors can be divided into four main types: domestic institutions (such as mutual funds, banks, insurance companies, pension funds, and provident funds), proprietary traders (brokers' own accounts), foreign investors, and domestic individual investors. As shown in **Figure 3**, from 2015 to Q3 2020, the most active investor group was domestic individual investors, followed by foreign investors, proprietary traders, and domestic institutions. The proportions of baht volume traded during 2015–Q3 2020 ranged from approximately 34% to 59% for domestic individual investors, 22% to 41% for foreign investors, 9% to 14% for proprietary traders, and 9% to 11% for domestic institutions. Trading activity by foreign investors during the past few years (i.e., during 2018–Q3 2020), however, accounted for a larger proportion, ranging from 36% to 41%, the highest level during 2015–Q3 2020.

**FIGURE 3. TOTAL BAHT VALUE TRADED FOR EACH INVESTOR TYPE, 2015–Q3 2020**



Source: SETSMART.

**FIGURE 4. PROPORTION OF EIGHT INDUSTRY GROUPS IN TERMS OF MARKET CAPITALIZATION, Q2 2020**



Source: SETSMART.

**Figure 4** illustrates the proportion of the market capitalization of eight industry groups as of Q2 2020. The four biggest industry groups in the Thai stock market are the services industry (27%), resources (23%), property and construction (14%), and financials (13%).

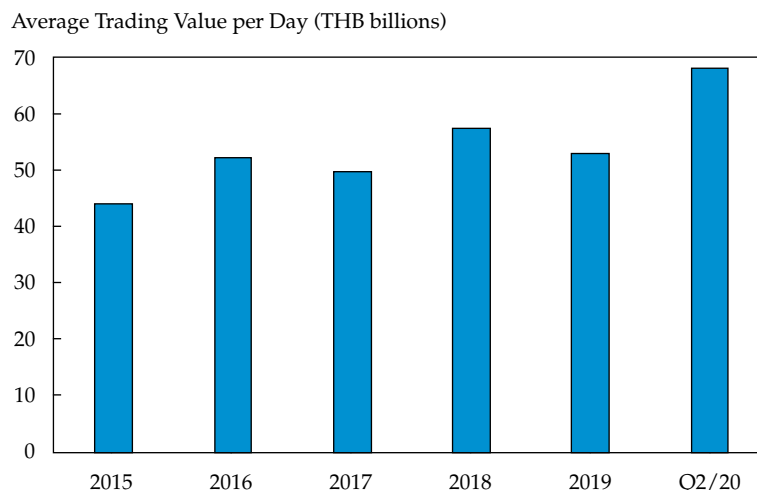
There are several stock indexes on the SET and MAI bourses, all of which are market-capitalization-weighted indexes. Popular stock indexes are the SET Index, the SET50 Index, and the MAI Index. The SET Index comprises all stocks traded on the SET bourse, and the SET50 Index comprises the top 50 stocks on the SET bourse in terms of market capitalization and trading volume. The MAI Index comprises all stocks on the MAI bourse.

Equity market activity in Thailand improved steadily from 2015 to Q2 2020. As shown in **Figure 5**, the average daily trading value of SET and MAI was THB44.3 billion in 2015 and reached its highest level, THB68.6 billion, in Q2 2020. This trend reflects the fact that both

SET and MAI have consistently improved market liquidity over time, though a steady increase in the number of companies listed on SET and MAI over that period could be a partial explanation as well.

## BONDS

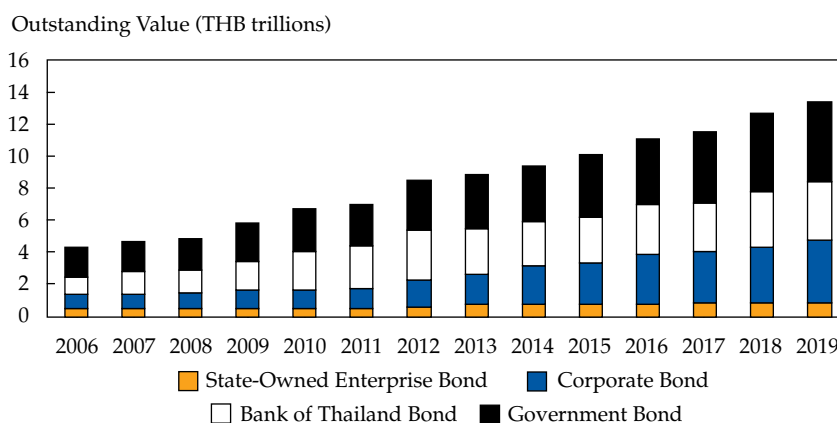
The main bond market in Thailand is the Thai Bond Market Association (ThaiBMA). It was founded in 1994 as the Bond Dealers Club (BDC), which was restructured and renamed the Thai Bond Dealing Center (ThaiBDC) in 1998. In September 2005, with the support from the Thailand Securities Exchange Commission (SEC), ThaiBDC was granted the license of a securities business related association under the Securities and Exchange Commission Act 1992 and named ThaiBMA. ThaiBMA is a self-regulatory organization, aiming to provide fair and efficient operation of the bond market. In addition, ThaiBMA aims to be an information center of Thai bond data for Thai bond market participants.

**FIGURE 5. EVOLUTION OF LIQUIDITY IN SET AND MAI**

Source: SETSMART.

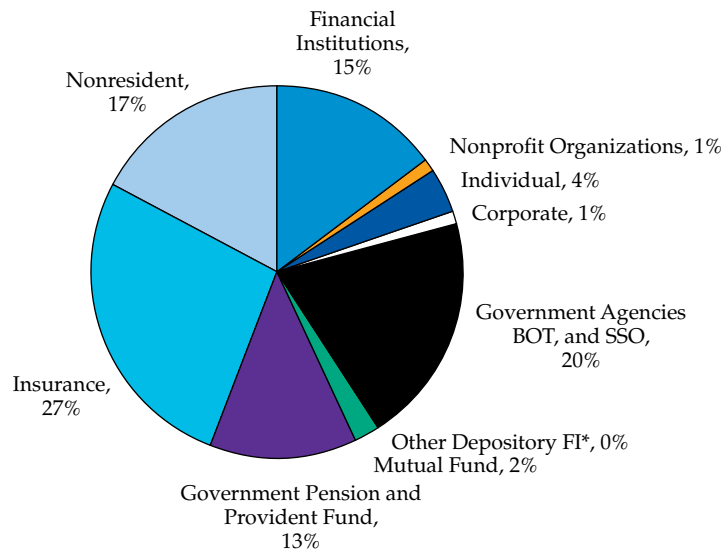
**Figure 6** shows the outstanding value in baht of bonds listed by ThaiBMA from 2006 to 2019. The size of the Thai bond market has been growing steadily, from THB4.32 trillion in 2006 to THB13.52 trillion in 2019—an impressive growth rate of 9.2% per year. The steady growth over time can be seen in every type of

bond traded on ThaiBMA. For example, government bonds grew from THB1.83 trillion in 2006 to THB4.97 trillion in 2019. Of the total outstanding value of Thai bonds in ThaiBMA, government bonds account for the highest share, 37%, followed by corporate bonds (29%), Bank of Thailand bonds (27%), and state-owned

**FIGURE 6. SIZE OF THAI BOND MARKET BY TYPE OF BOND, 2006–2019**

Source: ThaiBMA.

**FIGURE 7. PROPORTION OF GOVERNMENT BOND HOLDINGS BY INVESTOR TYPE, 2019**



Source: ThaiBMA.

\*Shows as 0% because of rounding.

Notes: BOT = Bank of Thailand; SSO = Social Security Office. Other Depository FI = Other Depository Financial Institutions, such as cooperatives.

enterprise bonds (6%). At just 1%, foreign bonds are too small to be represented in the figure.

**Figure 7** shows the proportion of government bond holdings categorized by investor type in 2019. Insurance firms held the largest share of government bonds outstanding, representing 27% of the total. Government agencies, BOT, and SSO were the second largest holder, at 20%.

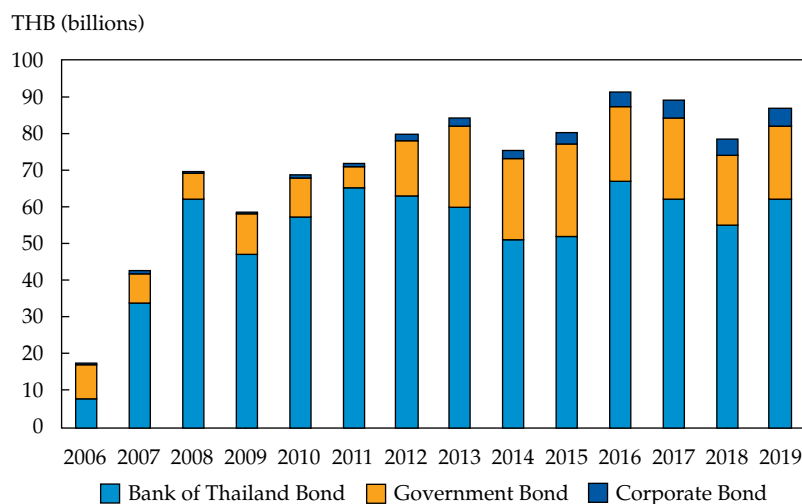
Thai bond trading activity has improved gradually since 2006, as shown in **Figure 8**. The average daily trading value of bonds in ThaiBMA was about THB18 billion in 2006, reached its highest level—THB92 billion—in 2016, and stayed relatively flat thereafter. Bank of Thailand bonds are the most liquid, with an average daily trading value of around THB55 billion–THB67 billion

in the past few years. The second most liquid bonds in ThaiBMA are government bonds, with an average trading value of around THB20 billion recently. These numbers reflect the fact that ThaiBMA has consistently improved market liquidity over time.

## DERIVATIVES

Derivatives in the Thai capital market are traded on the Thailand Futures Exchange (TFEX), which was founded in 2004. The main derivatives products traded on TFEX are futures and options on such assets as stock indexes, individual stocks, bonds, interest rates, precious metals, agriculture products, and exchange rates. There were 40 TFEX members as of January 2020. These members are allowed to access the

**FIGURE 8. AVERAGE DAILY TRADING VALUE OF THAI BONDS BY TYPE, 2006–2019**



Source: ThaiBMA.

TFEX trading system, can trade all products listed on TFEX, and can trade for their own accounts and for their clients.

Liquidity, as measured by the number of futures and option contracts traded, has improved drastically during the past five years. As of 2019, the most liquid derivative product on TFEX was the futures on single stocks (there were approximately 120 underlying stocks of those futures as of Q2 2020), with a total of 52.1 million contracts traded. The second most liquid derivative product was the SET50 Index futures, with 42.4 million contracts traded in 2019.

As is the case for developed derivative markets, SET50 Index futures on TFEX are the most popular and widely traded product. SET50 Index futures first traded in 2006. Since then, the popularity of SET50 Index futures has grown significantly, particularly in the past five years, reaching its peak in 2018 and 2019 with an approximate total of 42.5 million contracts traded per year.

## CHALLENGES AND FUTURE DEVELOPMENT

For the past five years, Thailand's economy has been lackluster, with relatively low growth compared with its peers in the Association of Southeast Asian Nations region. The Thai stock market has been facing foreign capital outflows because foreign investors have continued to be net sellers of Thai equities, worth about THB711.6 billion from January 2015 to September 2020. The Thai stock market has experienced declining share prices for the past three years, and the SET Index is currently back to its level of five to six years ago.

According to SET Group's strategic plan for 2020–2022 (from "Annual Report 2019 of the Stock Exchange of Thailand"), three key strategies will be implemented in the next three years to enhance internal operating efficiency and to enable stakeholders to achieve long-term sustainable growth. The first strategy is to



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“grow with efficiency: improve enterprise-wide business management.” This strategy aims to reform and revise regulations that are outdated, unclear, inconsistent, or redundant. In addition, SET Group has continued to develop a central database for economic, financial, and industrial data, accessible by the general public.

The second strategy is to “grow with new opportunities: reachout and expand businesses.” This strategy aims mainly to partner with more exchanges globally to explore opportunities to launch new financial products. Moreover, since small and medium-size enterprises (SMEs) will be a core engine driving the growth of the Thai economy in the future, SET Group will provide an alternative, more cost-efficient fundraising platform for those SMEs.

The third strategy is to “grow with stakeholders and sustainable society: development toward inclusive growth.” SET Group will continue to develop IT infrastructure to improve the cost efficiency of all exchange-related businesses. In addition, it aims to enhance the quality of the listed companies by integrating ESG (environmental, social, and governance) considerations into their businesses, thereby potentially increasing the number of listed companies on the SET Thailand Sustainability Investment (THSI) list. Lastly, SET Group is focused on developing its education platform to provide online financial knowledge to the general public.