

## Foreign investors stay around in Thailand amid market jitters

Since the novel coronavirus (COVID-19) broke out in early 2020, stock markets across the globe have witnessed ups and downs as investors reacted to good news and bad news concerning the deadly virus. Thailand is no exception.

When Thailand witnessed an initial wave of infections in March 2020, stock investors reacted in a typical fashion. The Stock Exchange of Thailand (SET) Index ended the month at 1,125.86 points, down 16% from the preceding month and 28.7% from end-2019 as investors cashed out their investments.

But despite market jitters, the Thai stock market remains attractive to both local and foreign investors, given the brisk trading, initial public offering (IPO) activities, and the outstanding sustainability performance of listed companies.

SET has been ASEAN's most liquid market with the highest trading value since 2012 and the largest IPO venue among the 10-member bloc since 2019. Moreover, numbers of Thai listed companies internationally recognized for outstanding sustainability performance keep rising amid the socially responsible investing boom. Seven SET-listed companies named as global *industry leaders* in the *Dow Jones Sustainability Index (DJSI) in 2020 marked the world's second highest number only after the U.S. and 21 listed companies topped ASEAN's inclusions in ASEAN.*

As a result, Thai stocks has continued to appeal to foreign investors as evident by 68.18 percent jump in foreign ownership over the past decade. At the end of 2020, foreign ownership in the Thai stock market was tuned at USD 142.15 billion (THB 4.49 trillion), compared to USD 84.53 billion (THB 2.67 trillion) in 2011.

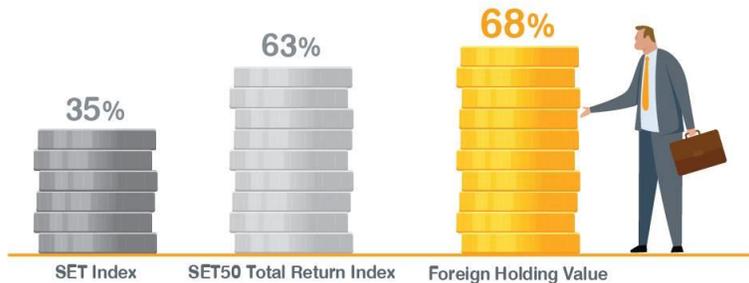
Notably, the foreign ownership grew at a faster pace than the increase in the SET Index and SET50 Total Return Index (TRI) in the 10-year period. In the period, the SET Index increased 34.97 percent while SET50 TRI surged 63.02 percent.

## Foreign holding value in SET and mai +68% over the past 10 years

outpaced SET Index and SET50 Total Return Index ( TRI),  
reflecting Thai stock market is on  
foreign investors' radar screen



Growth of SET Index and SET50 TRI  
compared with foreign value in Thai stock market\*  
over the past 10 years (2011-2020)



Note: \*Comparative data between end-May 2011 and end-2020  
Source: SET Note Vol. 4/2021 "Insights on foreign investors in Thai stock market over the past 10 years (2011-2020)"  
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From the above statistics, it is clear that net selling positions alone could not lead to a conclusion that foreign investors are fleeing Thailand. To determine whether the Thai market remains attractive to foreign investors, we need to look into detail what they have bought and what they have sold and why<sup>1</sup>.

According to the SET Note Volume 4/2021 published on March 25, 2021, although foreign investors were net seller of Thai shares, a large portion of their net selling positions involved local shares, which without any benefits are considered merely a means to make short-term profits.

In contrast, foreign investors also poured a huge amount of money into NVDR that offers financial benefits and is as liquid as local shares. Throughout the 10-year period, they were net buyer of NVDR every year and the accumulated net buy of NVDR reached USD 50.66 billion (THB 1.6 trillion). However, NVDR constituted only 20.82 percent of foreign ownership at the end of 2020.

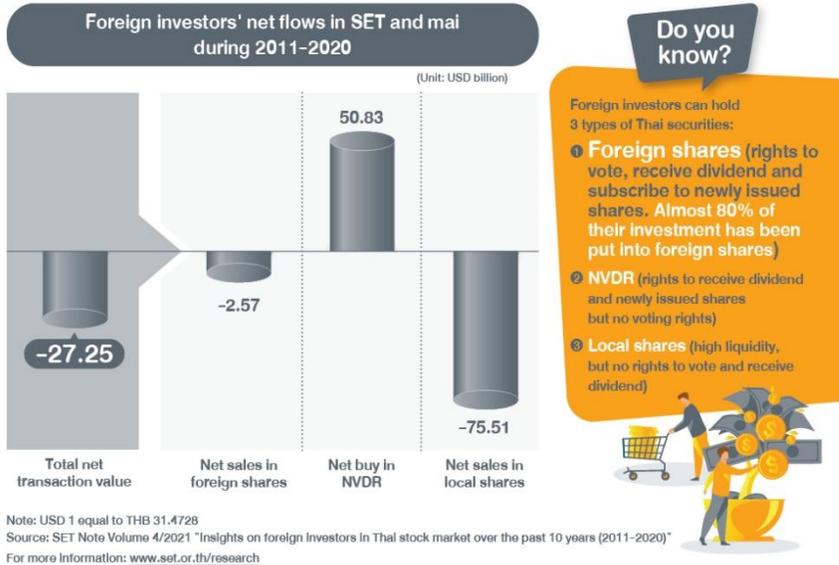
<sup>1</sup> In Thailand, foreigners can invest and are free to hold all three types of securities: 1) Securities designated for local investors (local shares) 2) NVDR (Non-Voting Depository Receipt) units and 3) Securities designated for foreign investors (foreign shares).

Foreigners are not entitled to voting rights and financial benefits if they hold shares designated for local investors and not entitled to voting rights if they hold NVDR units. However, by holding foreign shares, they are entitled to both voting rights and full financial benefits. But due to foreign ownership limits, the number of foreign shares has been well below demand and they have been rarely changed hands.



## Foreign investors show confidence in Thai equities by holding foreign shares over the past 10 yrs,

whereas they traded short-term via local shares and NVDR



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The figures lead us to a significant conclusion: when investing in Thailand, foreign investors hold dear to foreign shares for long-term investment and use local shares and NVDR as the vehicles towards short-term profits.

Undoubtedly, foreign net selling positions alone could not justify the perception that Thai shares have lost their appeal. Take a deeper look into their holdings and you will see that throughout those years Thailand had been attractive to foreign investment.

Link to SET Note Vol 4/2021:

[https://www.set.or.th/en/news/econ\\_mkt\\_dev/files/20210511\\_SETNote\\_stocks\\_sustainable\\_EN.pdf](https://www.set.or.th/en/news/econ_mkt_dev/files/20210511_SETNote_stocks_sustainable_EN.pdf)

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