

FN 221/281 Assignment 1

1.1 Economic Conditions

Overall economic growth seems not so promising yet we are not expecting recession. Overall GDP growth in the past year have been disappointing, even the relatively strong economy like US only grew 2% in GDP. Eurozone was slowly recovering from debt crisis and it is said that it will continue recovering with the expected 2016 growth of 1.8%. For emerging market, GDP growth of China, India and SouthEast Asia are unlikely to have any improvement in 2016. China GDP growth is expected to stay the same at 3.7 percent as last year. With the stagnant of growth throughout the world, last year, Thailand only has GDP growth of 0.8% with no growth in export. However, Thai GDP is expected to grow up to 3.5% by the end of 2016 as a result of increases in government expenditure to help recover the economy.

With the slow economic growth and a falling commodity price, inflation remains stubbornly low. Disinflation (decreasing inflation rates) induce people to reduce high debt loads and become more financially responsible (as does a rising unemployment rate and job uncertainty). When inflation rates are falling, people need to eliminate their debt since in real (inflation adjusted) terms it is becoming more expensive for them. In the view of some people, they said that low inflation is a relic of the past crisis. US inflation rate remain the same as last year at 1.5 percent. UK inflation rate decrease from 2 percent to 1.7 percent. EU inflation rate has increase from 0.2 percent to 0.3 percent. China inflation rate has a big decrease from 2.2 percent to 0.9 percent. Thailand inflation decrease from 1.6 percent to 1 percent. Therefore, as Global inflation rates is falling it is important to refinance your debts at lower interest rates thus reducing your debt servicing costs.

FED reluctantly increases US interest rate while BOT signals no more policy rate decreases. For a long period of zero interest rates policy in US, in December 2015, FED decided to increase interest rate by 25 basis point and had signaled the market to increase again in 2016. For Bank of Thailand, it decreased the policy rate two times consecutively from 1.75% to 1.5% and 1.25% today. It is likely that Thai economy be stonger in 2016 and BOT decides to rise the rate again. The interest rate of Eurozone dropped below zero last year while BOJ decided to decrease Japan's interest rate to be -0.1%, below zero for the first time. An expected increase in US interest rate puts pressure to exchange rate against U.S. Dollar because of capital inflow to US, we can expect a depreciate of emerging countries' currency against U.S. Dollar.

Steeply upward sloping of the yield curve throughout the world market suggests an expectation of increasing interest rate and recovering world economy. Yield curve is used as a benchmark for other debt in the market, such as mortgage rates or bank lending rates. The curve is also used to predict changes in economic output and growth.

The Yield curve is only an indicate of expectation, it may or may not actually occur. The greater the slope of the curve implies a greater change in interest rate.

1.2 Suggestion to Savers

As interest rates are expected to increase in big markets, investing in less-risky asset may provide a higher return yet the return increased may not be significant. We can expect a higher return from time deposits, government bonds and other high-grade bond. However, the return from these financial assets is already ultimately low, therefore, even an increase in return is expected, we shall not see a significantly increase of these return.

Developed Economy markets tend to recovery while we do not expect a solid recovery from emerging market, investing in US and Eurozone tends to be more attractive. Large capitalization equity in both US and Eurozone may have a lower risk and more stable return while in China, we cannot determine whether the economy recover in this year. However, in Thailand, we observed continuously decreased in SET Index last year, say, from 1,600 to around 1,200. In this year, we can expect recovery of Thai stock market as a result from expected Thai GDP growth this year to be up to 3.5%, significantly increases from last year's of 2.8%.

Commodity markets especially raw materials and oil still fluctuate and will not recover in the near future. As a result of China lower GDP growth last year, the demand for raw materials decreases which push a downward pressure of the prices. Oil price is still low today even though, some crude oil producers decrease their supply. The equity in the sector of energy and raw materials is still not attractive and can expect price to either not recover or decline further.

However, today, inflation is still very low, hold savings now is better than to spend. Consider an expensive durable goods, if consider inflation, your saving still worth something.

1.2 Suggestion to Borrowers

As interest rates today are still low and it is expected that interest rates increase in the near future, this is the opportunity to borrow before interest rates rise. Thai policy rate is now only 1.25% which reached the lowest rate for current period. (As Bank of Thailand signaled no more interest rate drop) A person who is to borrow (and ready to borrow) should consider take a loan now. For a person who has already made a loan may consider refinance her loan before interest rate rises. However, keep in mind that, today's inflation is very low, the cost of borrowing in the borrower perception may be underestimated. (Real interest rate = Nominal Interest Rate - Inflation)

2. Financial Instruments

2.1 Mutual Fund

Mutual fund is a financial product that made up of a pool of funds collected from many investor for the purpose of investing in security. The money manager or fund manager will be the one that pick a security in order to produce capital gains and income for the fund's investor. The most popular Mutual fund in Thailand is Long Term Equity Fund (LTF) and Retirement Mutual Fund (RMF) because they can use for Tax reduction. In Thailand Bualuang security is the top performing mutual fund in the market.

We use wealthmagik.com and morningstarthailand.com to observe information about promotion and advertisement of mutual fund in Thailand. Mostly advertisement have same platform which show the performance of mutual fund during past period and the expected return of the investment.



กองทุนรวมตราสารหนี้
ค้ำประกันตราสารหนี้คุณภาพ
เพื่อการลงทุนอย่างมั่นใจ
ประมาณการผลตอบแทน 1.60% ต่อปี
(ผลตอบแทนไม่เสียภาษีบุคคลธรรมดา)
ระยะเวลาลงทุนประมาณ 6 เดือน
ทั้งนี้ ผู้ลงทุนสามารถดูวันครบกำหนดอายุกองทุนได้ที่
www.bbiam.co.th ในแบบบริการนักลงทุน
เลือก ปฏิทิน Auto Redemption บัวหลวงตราสารหนี้
ชนิดระบุวันครบกำหนด

ยิ้มได้สบายๆ
กับโอกาสรับผลตอบแทนดีๆ
จาก BP8/16

เสนอขาย
ครั้งเดียว
24 ก.พ. - 1 มี.ค.
2559

ลงทุนสะดวก...
เพื่อโอกาสรับผลตอบแทนต่อเนื่องได้สบายๆ

- ลงทุนได้ที่ สาขาธนาคารกรุงเทพ บัวหลวง ไอแบงก์กิ้ง เอส-ซีบี ไอแบงก์กิ้ง
- ลงทุนต่อเนื่อง เพียงแจ้งโอนเงินลงทุน เมื่อครบอายุกองทุนเข้ากองทุนเปิดบัวหลวงธนาวิ หรือกองทุนเปิดบัวหลวงตราสารหนี้ภาครัฐ

BP8/16

กองทุนรวมบัวหลวงธนสารพลัส 8/16

โอกาสรับผลตอบแทนจากการลงทุนในตราสารหนี้ต่างประเทศ โดยจะลงทุนในตราสารหนี้ภาครัฐ สถาบันการเงิน และหรือภาคเอกชน ที่ได้รับการจัดอันดับความน่าเชื่อถือ ในระดับ Investment Grade (กองทุนมีการป้องกันความเสี่ยงจากค่าเงินบาทของอัตราแลกเปลี่ยนสำหรับการลงทุนในต่างประเทศ)

ประมาณการอัตราดอกเบี้ยที่กองทุนจะได้รับในมิติ มีรายละเอียดของตราสารที่จะลงทุน ดังนี้

ประเภทสินทรัพย์ที่กองทุนจะลงทุน ⁽¹⁾	ประเทศผู้ออกตราสาร	อันดับความน่าเชื่อถือ ⁽²⁾		ประมาณการผลตอบแทนของตราสารต่อปี ⁽³⁾	สัดส่วนลงทุนโดยประมาณ ⁽¹⁾	ประมาณการผลตอบแทนที่กองทุนจะได้รับต่อปี ⁽¹⁾
		National Rating	International Rating			
ตราสารหนี้ภาครัฐ ⁽²⁾ CB16818A	ประเทศไทย	-	S&P : BBB+	1.420%	1.00%	0.01%
เงินฝาก/ตราสารหนี้ที่เป็นการลงทุนในต่างประเทศ ⁽³⁾ Bank of China China Construction Bank Agricultural Bank of China Industrial and Commercial Bank of China Abu Dhabi Commercial Bank Union National Bank	ฮ่องกง ฮ่องกง ฮ่องกง ฮ่องกง สหรัฐอาหรับเอมิเรตส์ สหรัฐอาหรับเอมิเรตส์	- - - - - -	Fitch : ST F1 Fitch : ST F1 Fitch : ST F1 Fitch : ST F1 S&P : ST A-1 Fitch : ST F1	1.840%	98.00%	1.80%
เงินฝาก ⁽⁴⁾		-		0.375%	1.00%	0.00%
รวม					100.00%	1.82%
ประมาณการค่าใช้จ่าย ⁽⁵⁾						0.22%
ประมาณการผลตอบแทนที่ผู้ถือหน่วยฯ จะได้รับเฉลี่ย (ต่อปี)						1.60%

Some mutual fund have a unique characteristic such as trigger fund, mutual fund that invest in foreign market or specific market which they will invest in that market. So the factor that involve individual decision to invest in Mutual fund might depend on the Net Asset Value (NAV) that indicate the value of mutual fund, the characteristic of the firm such as the market that they will invest and the expected return of that fund.

2.2 Saving deposit

Saving deposit is a deposit account in bank. It will provide security for your principle and yield a low interest from account. You are unable to write a check from the account without incurring the fees. They will limit your amount that you can withdraw from your account. Saving deposit is the account that consider as high liquidity. With this advantage, you have to sacrifice other benefit such as low interest rate. There is many type of saving deposit such as Regular Savings Accounts which is a basic account that you can sign up for in a person. Next is money market deposit account. It consider as risk-free due to they are insured by FDIC and other.

We use information from Checkraka.com to observe information and promotion about saving deposit. Many banks try to promote their account and also use the same strategies that yield higher interest rate than usual.

เงินฝากไอโซ รับดอกเบี้ยถึงสาม



6 เดือน

1.85% (1 ล้านบาทขึ้นไป)

1.90% (10 ล้านบาทขึ้นไป)

12 เดือน

1.95% (1 ล้านบาทขึ้นไป)

2.00% (10 ล้านบาทขึ้นไป)

- ✓ บริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทย (BFIT)
- ✓ สถาบันการเงินภายใต้การกำกับดูแลของธนาคารแห่งประเทศไทย
- ✓ เงินฝากได้รับการคุ้มครองตามกฎหมายโดยสถาบันคุ้มครองเงินฝาก
- ✓ เปิดบัญชีง่ายพร้อมบริการเหนือระดับ

ติดต่อ: ฝ่ายที่ปรึกษาการลงทุน โทร.02-677-4336 ถึง 8

In this case when customer consider to deposit money in those bank, they will consider interest rate that each bank yield, minimum amount of money that they have to deposit, time that they have to keep money in the bank and other condition. With those constraint and benefit, customer will choose the best one that fit to their need and give highest utility.

2.3 Insurance

Insurance is one of financial instruments with objective of pooling risks of individuals or entities, allowing for reduction of overall risks where clients gain financial protection or repayment for losses in return. Insurance companies must issue a contract to their clients where clients must pay insurance premium for the specific period of time as stated in the contract. At the end of contract, clients may or may not receive insurance premium back depending on the type of insurance clients are investing in.

There are many types of insurances exist today in the market where each one of them have their own specific purpose. Insurance companies often categorize insurance products into two categories: **individual insurance and group insurance**. By splitting insurances into two groups, insurance companies can identify their target clients and are able to design each insurance to meet demand of people. Individual insurance focuses more on individual who seeks for long term security. On the other hand, group insurance capture wider ranges of client targets that can range from family to business enterprise. There exist many factors which can affect decisions of clients in purchasing insurance. By examining many insurance packages, there are four main factors that can affect clients' decision in evaluating insurance.

1. **Objective:** For clients to purchase insurance, **they usually choose insurance to match their objectives**. When majority of people buy insurance in order to protect

their lives and properties, there are also people who invest in insurance in order to make long-term saving plan.

- 2. Insurance Premium and Duration of Payments:** Premium must be paid in exchange of protection. **On average, insurance premium must match income of targeted clients.** Duration of payments is another factor can influence decision of clients. **Duration of payments must cover working age and the last period of payment must be before sixty years of age.**
- 3. Degree of Risk Exposure:** This is an individual factor that is very difficult to analyze. It depends heavily on lifestyle of clients. Degree of risk exposure move in the same direction as insurance premium, meaning that, clients with high degree of risk exposure tend to pay higher insurance premiums. This is not applicable to health insurance on specific group of diseases like cancer insurance.
- 4. Dividend, Par, and Maximum Reimbursement:** Dividend and par return is only limited to saving insurance as decisive factors since saving insurance target clients who want to make long term saving. With different objectives, dividend and par return usually do not feature in other types of insurances. Maximum reimbursement is applicable to health and life insurances where maximum coverage, if high enough, may attract clients to purchase.

Main objective of insurance, as mentioned at the very beginning, is to mitigate risk by taking advantage of risk pooling. Despite knowing the clear objective, many people still save money in term of insurance. Insurance can be fully utilized when it is used for protection, not for saving plan in long run. Opportunity cost of buying insurance is high which indicates that by investing in other assets may yield higher returns.



เอไอเอ สะสมทรัพย์ 30 ปี ชำระเบี้ยประกันภัย 15 ปี (มีเงินปันผล)

AIA 15 PAY 30 (PAR) | ประกันชีวิตเพื่อการสะสมทรัพย์

ระยะเวลาความคุ้มครอง
30 ปี

อายุผู้ขอเอาประกันภัย*
1 เดือน - 69 ปี

ช่องทางการขาย
ตัวแทน

แบบประกันที่น่าสนใจ แผนเงินออมสำหรับอนาคต

ออม อย่างมีระบบ สร้างอนาคต อย่างมั่นคง
อนาคตสดใส จากผลตอบแทน และความคุ้มครองที่คุ้มค่า
ช่วยให้คุณอุ่นใจตลอดสัณษา



< ไทยประกันชีวิต มีสินมีคุ้มครอง 1 10/5 ทรัพย์ทวี 400 [มีเงินปันผล] ทรัพย์ทวีปันผล [มีเงินปันผล] >

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