

Vimalin Tasma 2009: Macroeconomic Factors Affecting the Rate of Excess Return on Corporate Bond. Master of Economics (Business Economics), Major Field: Business Economics, Department of Economics. Thesis Advisor: Ms. Kanokwan Chanchaenchai, Ph.D. 143 pages.

The main purposes of this study are to explain the situation and estimate the predictive power of macroeconomic factors on the excess rate returns of 2, 5 and 7 years to maturity time for corporate bonds. Forecasting technique excess return is then become one of the most interest in financial research area. Consequently, this study focuses on the analysis framework of the behavior of excess returns between January 2004 and September 2008 sample period. To avoid the spurious problem caused by unit root process, the ADF is employed to test the stationary process. The ADF test indicates that most of series data in the first different form are exhibited stationarity.

According to various tests of statistic, the AR (1) model is an appropriate specification to estimate the excess return of those types of corporate bonds as the value of Q-stat demonstrates the no serial correlation after using the AR specification. According to t-static test, the macroeconomic variables have statistically explanatory power on 2- and 5- years excess returns, while the 7-years can be only explained by its previous period, The inflation shows a significant correlation to 2-years whereas 5-years bond are affected by the coincident economic index. In addition, this predictive significance of macroeconomic variables and one previous excess return to estimate those of excess returns indicates the not only long memory process, but also the market inefficiency in term of market price. This could be the result of asymmetry information in market or capability of investors in analyzing market prices of bond. Corporate bond of 2 years and 5 years is classified as semi-strong form while the 7 years is accounted as a weak form.

From the empirical results, three maturity times of excess returns on corporate bond are significantly affected by macroeconomic factors which oppose to the theoretical hypotheses. For the further investigation, the government activities could also have the impact on the change of excess returns and the micro information such as an internal policy should be taken into account in order to obtain better accurate results and investment decision.

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Thesis Advisor's signature

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