

Santiparp Inthong 2008: The Effects of Monetary Policy on Foreign Portfolio Inflows in The Stock Exchange of Thailand. Master of Economics (Business Economics), Major Field: Business Economics, Department of Economics. Thesis Advisor: Associate Professor Santiya Eag-arkara, Ph.D. 203 pages.

The objectives of the study are: 1) to study the patterns of monetary policy implementation and the foreign portfolio inflows in the Stock Exchange of Thailand (SET), 2) to study the effects of monetary policy on foreign portfolio inflows in the Stock Exchange of Thailand by use descriptive and quantitative analysis. The study used monthly data from July 1997 to December 2006 and the methodology of Granger Causality to determine endogenous and exogenous variables of Simultaneous Equation as well as to estimate by use the Two Stage Least Square (2SLS) for quantitative analysis.

The results of the study indicated that foreign portfolio inflows in the Stock Exchange of Thailand was the short term speculation investment rather than long term investment. Furthermore, the study also found that the monetary policy factor affecting the decision-making to invest in the Stock Exchange of Thailand was the foreign currency exchange rate.

There are three suggestions from this study. First, the monetary policy action of the Bank of Thailand should not make the foreign currency exchange rate over fluctuated. Second, the monetary policy action of the Bank of Thailand should take into the consideration of the creation in a good circumstance for investment. The action should attract the foreign investors to make long term investment instead of short term investment. Finally, the domestic investors can forecast the trend of foreign investors' investment from the monetary policy action of the Bank of Thailand via the foreign currency exchange rate.

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Thesis Advisor's signature

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