

CONTENTS

	Page
ABSTRACT	(1)
ACKNOWLEDGEMENT	(2)
CONTENTS	(3)
LIST OF TABLES	(7)
LIST OF FIGURES	(8)
 CHAPTER	
 1. INTRODUCTION.....	1
1.1 Statement of Problem.....	1
1.2 Objectives of the Study	7
1.3 Scope of the Study	7
1.4 Organization of the Study	7
 2. THEORETICAL FRAMEWORK AND LITERATURE REVIEW	8
2.1 Theoretical Framework.....	8
2.1.1 Monetary Policy Transmission Mechanisms	8
2.1.1.1 Interest Rate Channel	8
2.1.1.2 Equity Price Channel	10
2.1.1.3 Credit Channel	11
2.1.2 Effects of Monetary Policy on Property Prices.....	13
2.1.3 Margin Requirement	14
2.1.4 Lending Constraints Theory.....	15
2.2 Literature Review.....	15

3. ASSET PRICES IN THAILAND	21
3.1 Financial Market.....	21
3.1.1 Prior to Economic Crisis Period	21
3.1.2 During and After Economic Crisis Period	22
3.1.3 Financial Regulation: BASEL II	23
3.2 Property Market.....	24
3.2.1 Prior to Economic Crisis Period	24
3.2.2 After Economic Crisis Period	26
3.3 Capital Market.....	26
3.3.1 Prior to Economic Crisis Period	26
3.3.2 During and After Economic Crisis Period	27
3.3.2.1 Thai Securities Market in Asia.....	28
3.3.2.2 Thai Securities Market in the World.....	30
3.4 Relationship between Financial Market, Property Market and Capital Market.....	30
3.5 Comparison of Asset	32
 4. METHODOLOGY	 35
4.1 Unit Root Test	36
4.2 Engle-Granger Method of Cointegration.....	36
4.3 Granger Causality	37
4.4 Vector Autoregressive Model (VAR)	38
4.4.1 Vector Autoregressive Modeling (VAR).....	39
4.4.2 Set of Variables.....	40
4.4.2.1 Set of Endogenous Variables	41
4.4.2.2 Set of Exogenous Variables	42
4.4.3 Lag Length Selection	42
4.5 Impulse Response Function and Variance Decomposition	43
4.5.1 Impulse Response Function	43
4.5.2 Variance Decomposition.....	45
4.6 Measuring the Size of Bubble	47
4.7 Sources of Data.....	47

5. EMPIRICAL RESULTS	49
5.1 Stock Market	49
5.1.1 Cointegration between Thai Stock Index and Dow Jones Index	49
5.1.2 Effect from the Bubble Bust to Thai Stock Market	50
5.2 Property Market.....	50
5.3 Relationship between Stock Price and Property Price	52
5.4 Threshold of Size and Duration of Bubble in Stock and Property Market	53
5.4.1 Stock Market.....	53
5.4.2 Property Market	55
5.5 Granger Causality Test between Stock Index, Land Transactions and Manufacturing Production Index.....	59
5.6 The Effectiveness of Monetary Policy Transmission Channels.	61
5.6.1 The Model	61
5.6.1.1 Set of Variables	61
5.6.1.2 Lag Length Selection	61
5.6.1.3 Stability Test	62
5.6.2 Interpreting VAR Model	63
5.6.2.1 Variance Decomposition	63
5.6.2.2 Impulse Response Function	65
6. CONCLUSIONS AND POLICY IMPLICATIONS.....	71
6.1 Conclusions	71
6.2 Policy Implication	74
6.3 Limitations of the Study and Suggestions for Future Study.....	75
APPENDICES	77
A. CIRCUIT BREAKER.....	78
B. INVERSE ROOTS OF AR CHARACTERISTIC POLYNOMIAL	79
C. QUARTERLY DATA TABLE	80
D. MONTHLY DATA TABLE.....	82

E. VARIANCE DECOMPOSITION	87
BIBLIOGRAPHY	90