Independent study title	IMPACT OF MONETARY POLICY SHOCKS ON CORPORATE BONDS: EVIDENCE IN THAILAND
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ABSTRACT

Do investors interpret monetary policy surprises as rebalancing away from risky assets or as a signal of unexpected economic fundamentals? These concepts make spreads of corporate bonds move in the opposite direction. This paper tests these competing hypotheses within the Thai corporate bond market and finds that both channels operate, but in distinct settings. Overall, following an unanticipated monetary policy tightening, credit spreads on bonds with higher credit risk widen more than those of safer bonds and vice versa impact under policy easing. The evidence is consistent with the risk-taking channel. However, this pattern reverses in non-crisis periods and flips again when the shock decomposes into rate hikes and rate cuts: rate hikes trigger a risk-taking channel, while rate cuts operate through the information effect. The Thai corporate bond market therefore exhibits both reach-for-yield and information effects, with the dominant channel depending on the state of the market and the direction of the policy surprise.

Keywords: Monetary policy, Corporate bond, Risk-taking channel, Information effect, Thai bond market