

Independent study title	RISK AND RETURN TRADE-OFF EVIDENCE IN THAI TREASURY MARKET
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ABSTRACT

This study aims to identify risk and return (an excess return) trade-off which is considered as one of financial fundamental concept that widely accepts over the globe by focusing on the case of Thai treasury market. To identify this issue, an accurate volatility is required. A combined model proposed by the work of Ghysel et al. (2014) is applied in this study to obtain both an accuracy of volatility and captures all information from the yield curve. The combined model consists of two main components which are a volatility component and latent factors from “Diebold-Li model”. The main results from a combined model illustrate that risk and return trade-off in Thai treasury market was impacted by global financial crisis (GFC) event. It also shifted a risk and return trade-off to be existed in short-term indices to mid-term indices as the result of an increasing participation of foreign investors. While latent factors hardly described an excess return for all indices especially before GFC.

Keywords: Risk and return trade-off, Volatility model, Diebold-Li model, An excess return, Thai treasury market, Non-resident, Global financial crisis.