

# **Corporate Yield Spreads and Bond Liquidity: Evidence from Thailand's Bond Market**

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## **ABSTRACT**

By using a comprehensive sample consisting of more than 5,000 bonds out of a hundred issuers across all bond ratings, this paper investigates relationship between liquidity risk and the corporate yield spreads in Thailand's bond market by using "Percentage of zero returns" as a liquidity proxy. The regression test results show a positive relationship between percentage of zero returns and corporate yield spreads. Additionally, these results hold after controlling for effects of other yield spread determinants (bond-specific, firm-specific and macroeconomic variables), and are robust to issuer' fixed effect and simultaneous equation problem. Concisely, the liquidity risk is priced in Thailand's bond market.