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Rain check on recession

Stock rebounds to last until at least end-1Q23F, when markets realize rate cuts are off the table in 2023F

Key message

We now believe a US economic recession will arrive later than our previous forecast, as: (1) the US economy is performing better than expected, and the downturn is not full-fledged, as although the manufacturing sector is in the doldrums the service sector has been resilient; (2) the hot US labor market will not cool down in the next 1-2 quarters, providing support for consumption; and (3) two other major global economies, the EU and China, have fared decently of late, which bodes well for the US economy. That said, the recession will definitely take place eventually, and we believe ongoing stock market rebounds will persist until at least end-1Q23, when markets realize rate cuts are most likely not going to happen in 2023.

We now believe a US economic recession will arrive 1-2 quarters later than our previous forecast of 2Q-3Q23, as: (1) while the manufacturing sector is clearly in the doldrums, the service sector has remained resilient, so a full-fledged recession seems unlikely in the near future; (2) the US labor market has also been stronger than expected, providing support for consumption; and (3) two other major global economies, the EU and China, have fared decently of late.

US economy better than expected, as the ongoing downturn has been limited to manufacturing, & not the service sector

Historically, when leading economic indicators decline for four consecutive months, the probability of the US economy heading into a recession is quite high (Figure 1). What is happening now is leading indicators have retreated for ten straight months, but a recession doesn't seem as imminent as we had previously thought. The main reason is that the ongoing decline isn't comprehensive. While the manufacturing sector is showing signs of weakening, with goods consumption slowing, the service sector has remained resilient, with consumption rising and readings of service PMI surpassing manufacturing PMI by a significant margin (Figure 2). This is what Wall Street calls a rolling recession, meaning some economic sectors contract, but not the overall economy. In fact, the US economy has performed well recently. Since late-3Q22, the US Economic Surprise Index has mostly stayed in positive territory, which means actual economic results have been better than expected, except from mid-December 2022 to January, when the index turned negative before reversing back to positive in February (Figure 3).

Labor market tightness unlikely to ease in next 1-2 quarters, which will keep consumption afloat

The upbeat US economy is supported by household savings that were accumulated during the COVID-19 pandemic, and more importantly, by ongoing labor market tightness, which the Fed has emphasized repeatedly is a key factor to watch, and we agree. In the past, changes in the unemployment rate were a good indicator of if and when a recession would occur, but the indicator doesn't seem to be working this time around (Figure 4). With almost two vacant positions for every job seeker, as there is at the moment, it is no wonder that the unemployment rate has not risen markedly (Figure 5). While some argue the US labor market is losing steam given massive layoffs in the tech sector, we believe this argument doesn't reflect the whole picture, as those laid-off tech employees found new employers very quickly (Figure 6), and even those that did not land a new job immediately have enough savings to keep their consumption habits intact. Jobs with lower wages are struggling to find people to fill the vacancies, so cooling the labor market to suppress inflation has not been easy. We believe the labor market will be the most important factor to watch in 2023, and it will be just as difficult to predict as inflation was over the past two years (Figure 7). Labor supply shortages are currently at their worst, and we do not expect the tightness to ease in the next 1-2 quarters (Figure 8).

Eurozone & China have been improving, which bodes well for the US economy

The external environment is also favorable for the US economy. Major economic institutions have revised up their global GDP growth forecasts since January, and many note that the upward revisions to growth in the EU and China have been more significant. Upward revisions have largely been across the board for major economies, with the exceptions of Canada and Australia (Figure 9). China's GDP growth forecasts have been revised up mainly because the government recently relaxed its zero-COVID policy, while maintaining monetary easing and revoking policies that hinder growth (i.e. clamping down on property market). The outlook for the eurozone is more promising thanks to a warm winter and seemingly successful energy transition. Notably, inflation in the eurozone has declined faster than expected, and economic performance has been stronger than we had anticipated months ago. The Sentix Current Condition and Expectation Indices have both made upturns, and we note that the gap between the two indices is a six-month leading indicator for manufacturing PMI (Figure 10), while PMI is a leading indicator for the overall economy. In short, EU economic improvement is likely to persist, implying that the headwinds to the industrial/manufacturing sector due to energy supply disruptions caused by the Russia-Ukraine war have largely abated.

Conclusion – Recession to arrive later than previously expected; stock market rebounds to last at least until end-1Q23F, or when markets realize interest rate cuts are off the table for 2023F

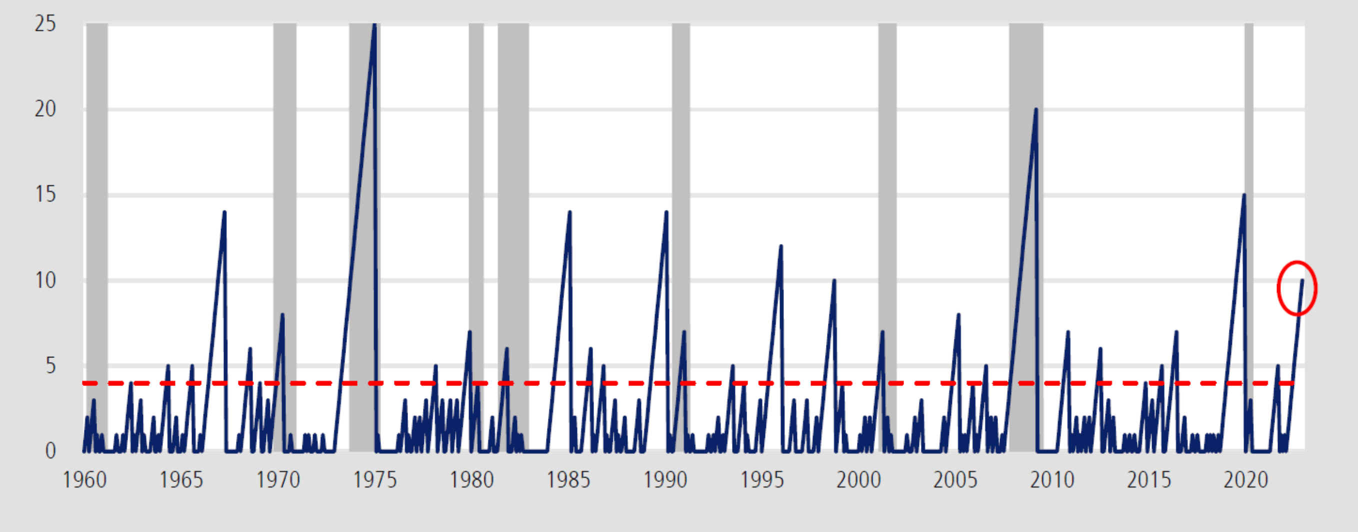
We now predict the US economy will slip into recession later than we had previously thought. But it will eventually happen, because: (1) while the service sector remains resilient, when it weakens, the already poor manufacturing sector will not improve overnight, meaning a recession is inevitable; (2) from an employment perspective, the unemployment rate, a lagging indicator, will not rise until a recession emerges (Figure 11). If the unemployment rate does not rise, wages would not fall and inflation would be unlikely to ease. As such, the Fed would be forced to tighten, eventually leading to recession.

Regarding the effect of a belated recession on stock markets, we believe the end of the current stock market rebounds could also be slightly delayed to 2Q23. Although the current stock market rebounds, led by expectations of relaxed monetary policies and decent economic data, will continue, it faces a clear contradiction: strong employment with declining earnings. This means that the Fed needs to ease its monetary policy, but can't do so right away (Figure 12). Even if the Fed merely held off rate cuts, such a decision would certainly hurt stock fundamentals and the positives of a delayed recession would dissipate over time. Nonetheless, worsening employment would not be entirely detrimental to stock markets. First, history shows that when the unemployment rate has risen significantly, the economy has often been in recession for a while, resulting in lower stock market valuations (Figure 13). Investors have engaged in bargain-hunting during these periods. Second, when the unemployment rate has risen, the Fed has been forced to intensify rate cuts, eventually supporting stock market valuations and boosting shares. For these reasons, we believe a rising unemployment rate could create opportunities for stock purchases.

Two-thirds of S&P 500 firms have announced 4Q22 financial results. Except negative earnings growth, sales slid markedly (Figure 14), with YoY growth plummeting from 11.7% in 3Q22 to 5% in 4Q22. This is in line with our statement last year that earnings declines are first caused by profitability being squeezed (supply side, due to rising costs) and later by declining sales (lower demand). Earnings will continue to fall, and at an accelerated pace, which is evidenced by the rapid uptick in negative earnings outlooks for 1Q23 (Figure 15). Overall, we believe the market will realize at end-1Q23, at the earliest, that there is little chance of interest rate cuts in 2023. This, together with falling economic fundamentals, will prompt a stock sell-off. However, rebounds will continue until that time.

Figure 1: Historically, US leading indicators falling for over four consecutive months has led to recession

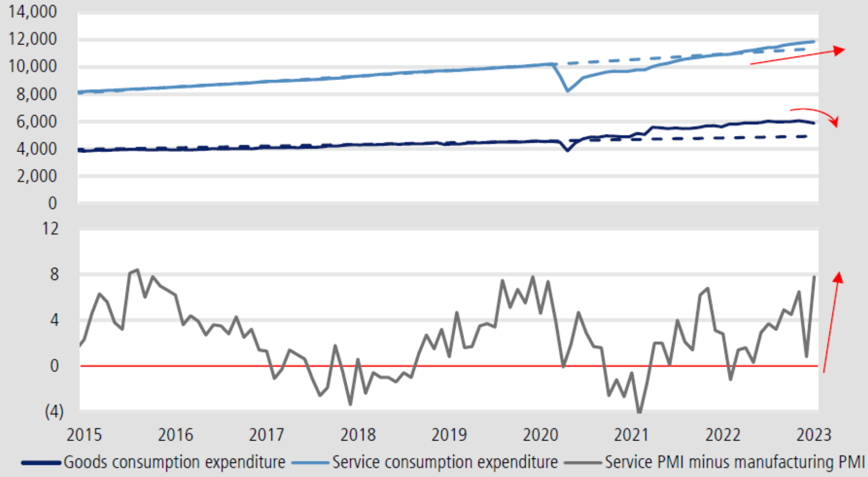
Number of months in which US economic leading indicators have fallen continually



Note: Shaded areas represent NBER-defined US recession
Source: Bloomberg; KGI Research

Figure 2: Manufacturing sector is poor, with weakness in 2H22, versus resilient service sector

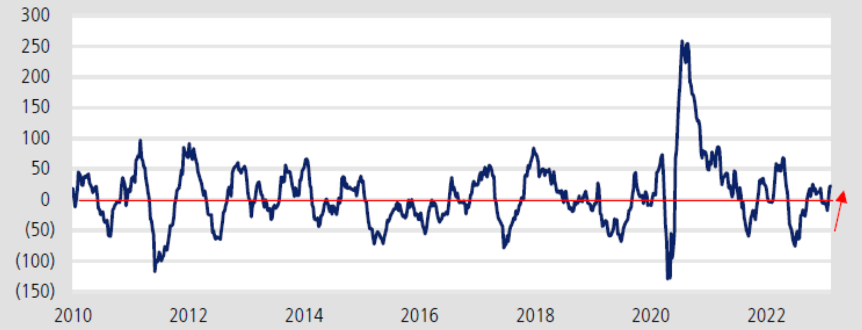
Upper chart – Goods consumption expenditure and services consumption expenditure, US$bn
Lower chart – ISM service PMI minus manufacturing PMI, points



Source: Bloomberg; KGI Research

Figure 3: Citi Economic Surprise Index has largely showed stronger-than-expected economic data since 3Q22

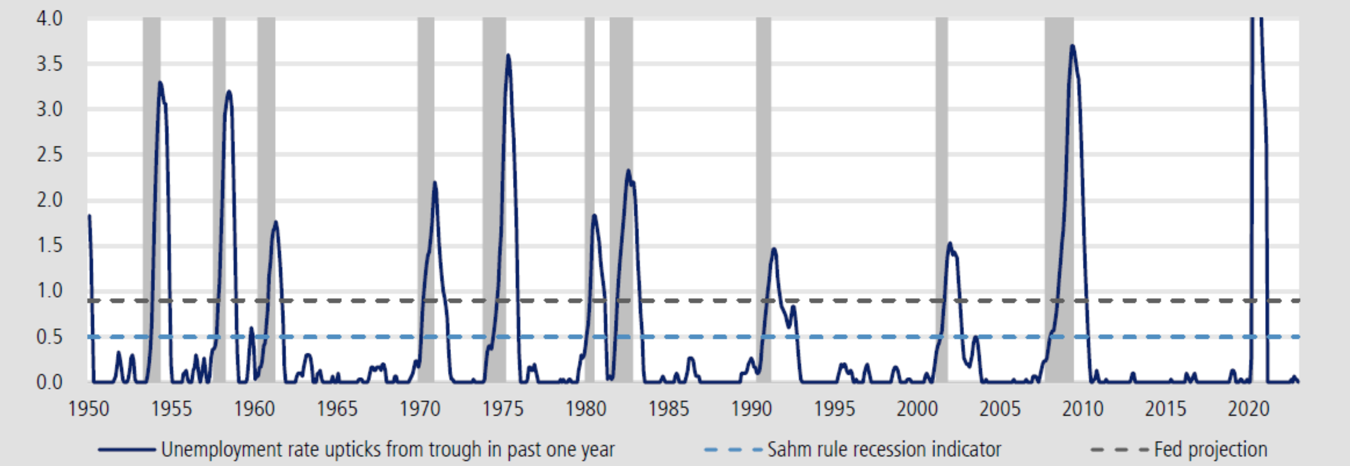
US Citi Economic Surprise Index, points



Source: Bloomberg; KGI Research

Figure 4: Historically, recession emerges when unemployment rate rises over 0.5% from trough (Sahm's rule), but current reading does not show probability of recession

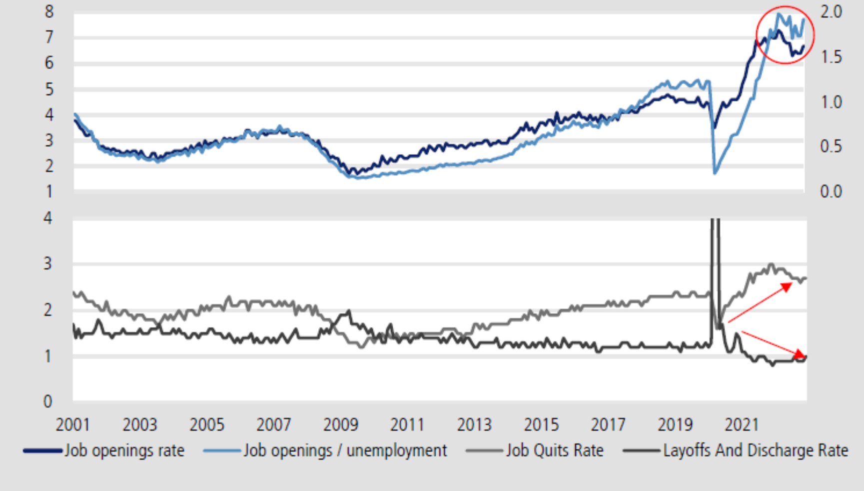
Unemployment rate upticks from trough in past year, percent



Note: Shaded areas represent NBER-defined US recession
Source: Bloomberg; KGI Research

Figure 5: High job openings to unemployment ratio, indicating ease of finding a job & high job quitting rate

Upper chart – Job opening rate, percent (LHS); job opening/ unemployment, x (RHS)
Lower chart – Job quitting rate and layoffs & discharge rate, percent



Source: Bloomberg; KGI Research

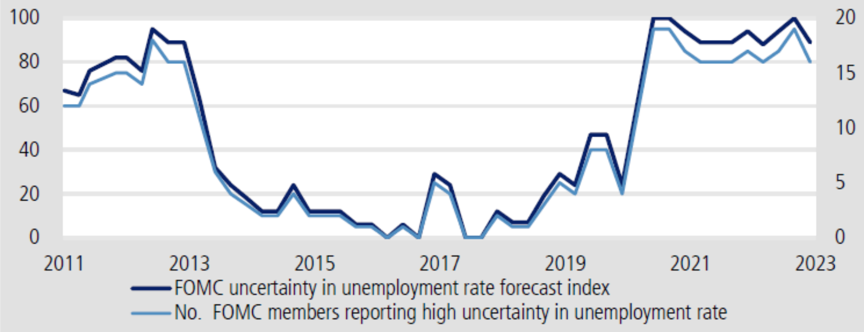
Figure 6: Effect of layoffs exaggerated, as unemployed have found jobs quickly

Flows from unemployment into employment as a share of unemployed workers, percent

Note: Shaded areas represent NBER-defined US recession
Source: BLS; KGI Research

Figure 7: Fed's uncertainty about job market change as much as inflation uncertainty

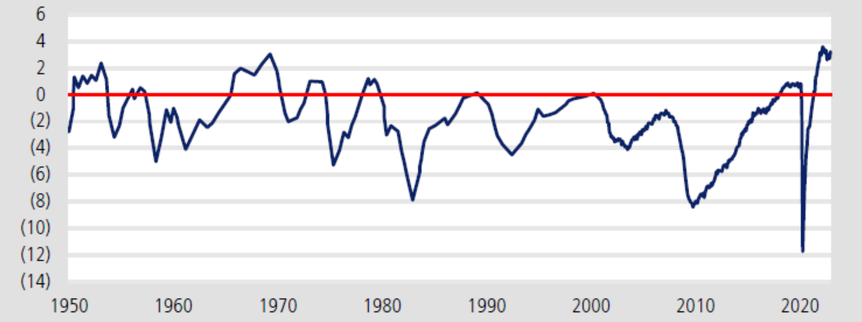
FOMC uncertainty in unemployment rate forecast index, percent (LHS); number of FOMC members reporting high uncertainty in unemployment rate (RHS)



Source: Bloomberg; KGI Research

Figure 8: Current labor shortage most severe in history

Labor gap, percent



Note: Labor demand calculated by adding total employment to job openings; labor supply calculated by total labor force
Source: Bloomberg; KGI Research

Figure 9: Projected economic growth revised up in recent months for major economies, except Canada & Australia

GDP YoY forecast by major institutions for 2023F and 2024F, percent

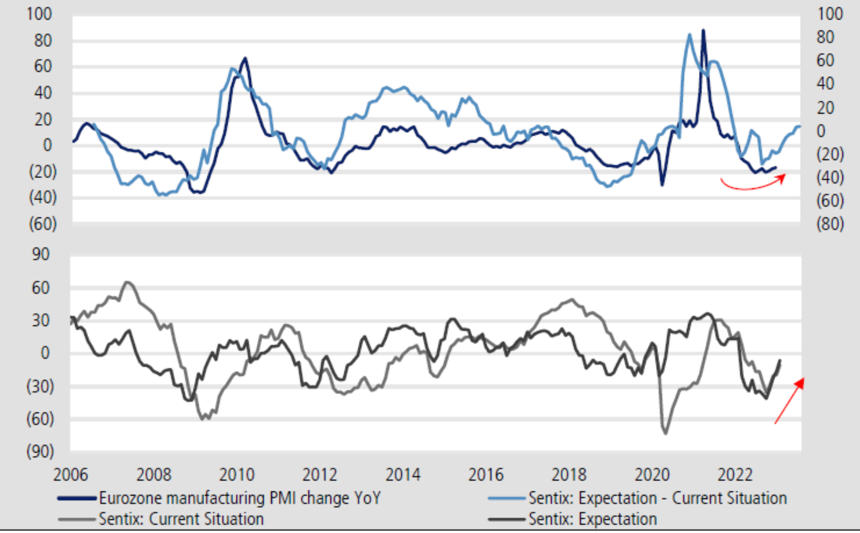
	2023F			2024F		
	IMF (Jan)	World Bank (Jan)	OECD (Nov)	IMF (Jan)	World Bank (Jan)	OECD (Nov)
US	1.4	0.5	0.5	1.0	1.6	1.0
Eurozone	0.7	0.0	0.5	1.6	1.6	1.4
Japan	1.8	1.0	1.8	0.9	0.7	0.9
UK	(0.6)		(0.4)	0.9		0.2
Canada	1.5		1.0	1.5		1.3
Australia	1.6		1.9	1.7		1.6
China	5.2	4.3	4.6	4.5	5.0	4.1
India	6.1	4.8	5.7	6.8	4.9	6.9

Source: Bloomberg; KGI Research

Figure 10: European survey-based indicators & climate indices have all improved

Upper chart – Eurozone manufacturing PMI change YoY, percent (LHS); Sentix expectation minus current situation, points (6 months in advance; RHS)

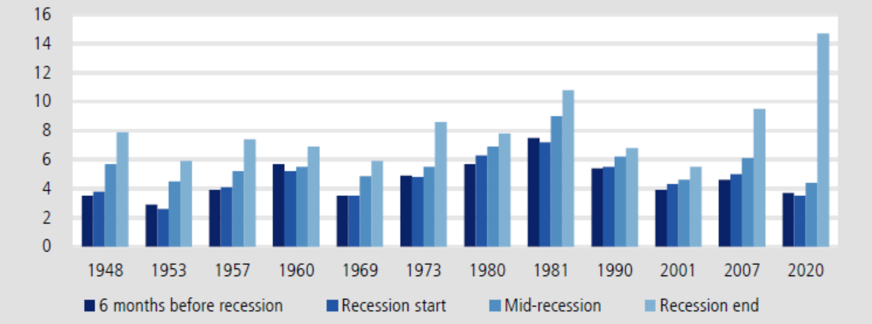
Lower chart – Sentix current situation index and expectations index, points



Source: Bloomberg; KGI Research

Figure 11: From the perspective of employment, recession is inevitable, but will be delayed

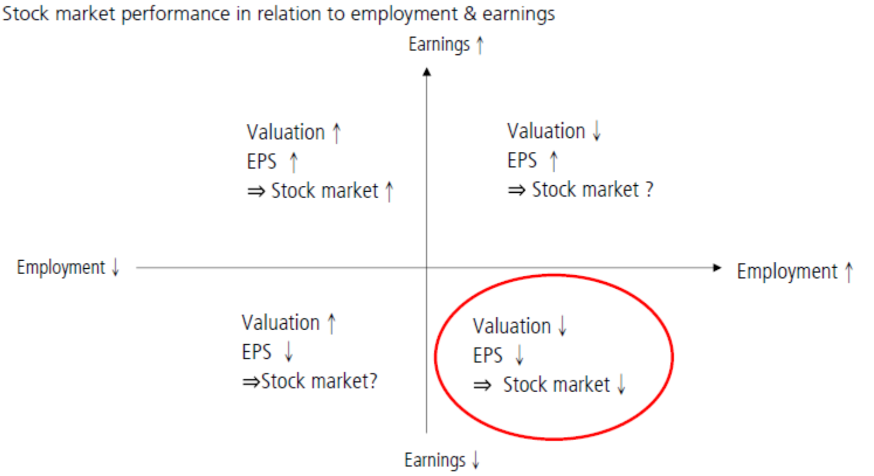
Unemployment rate six months before recession, at recession start, in mid-recession, and at recession end, percent



Source: Bloomberg; KGI Research

Figure 12: Global economy is not especially healthy, with good employment but poor earnings

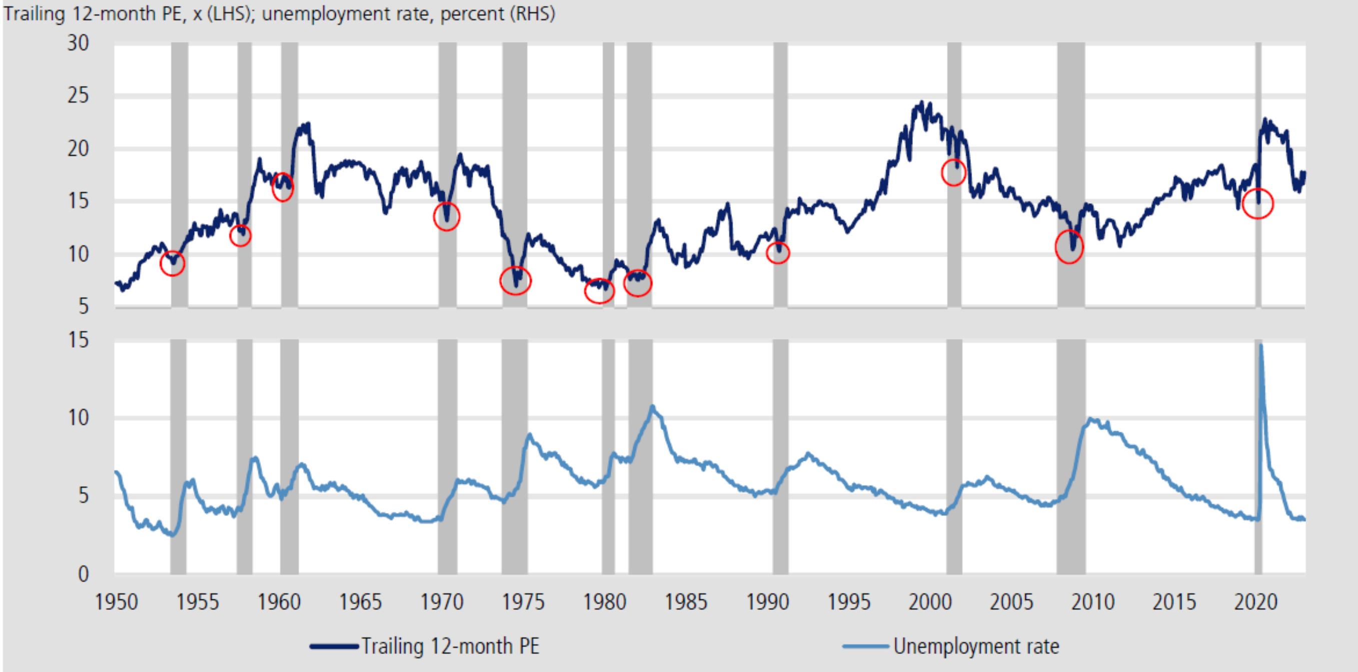
Stock market performance in relation to employment & earnings



Source: KGI Research

Figure 13: Rising unemployment rate would create opportunities for stock purchases

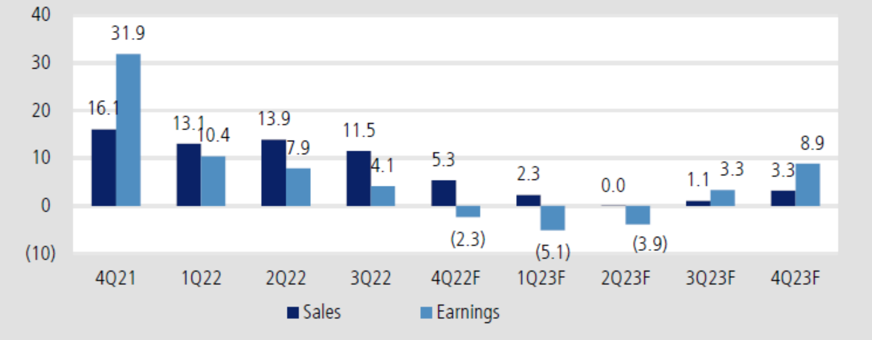
Trailing 12-month PE, x (LHS); unemployment rate, percent (RHS)



Note: Shaded areas represent NBER-defined US recession
Source: Bloomberg; KGI Research

Figure 14: As we predicted, sales showed clear weakness in 4Q22

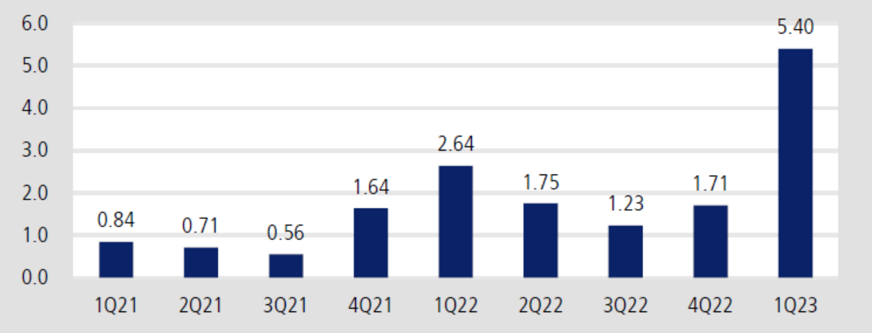
Sales and earnings change YoY by quarter, percent



Source: Refinitiv; KGI Research

Figure 15: Negative/ positive earnings outlook ratio has shot up for 1Q23

Negative/ positive earnings outlook ratio, x



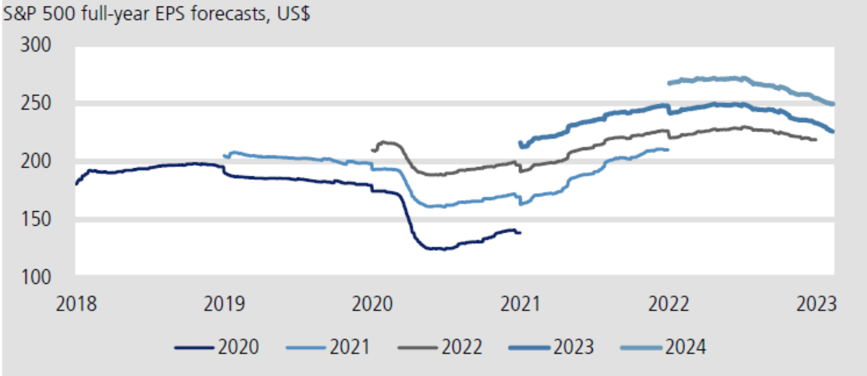
Source: Refinitiv; KGI Research

Figure 16: Major global political & economic events in the coming quarter

Date	Major event	Possible effect
early March	China's Two Sessions	China could announce easing policies, driving A-shares to outperform some major markets
3/16	ECB monetary policy meeting	ECB will likely maintain rate hikes, but will come under pressure as economic growth loses pace, causing markets to worry more about recession risks.
3/21-22	Fed FOMC meeting	Fed may announce a rate hike of 25bps while sending signals of the rate hike cycle coming to an end; this will be the time to wait and see, as investors are switching their focus to the impact on fundamentals

Source: KGI Research

Figure 17: S&P 500 full-year EPS forecasts



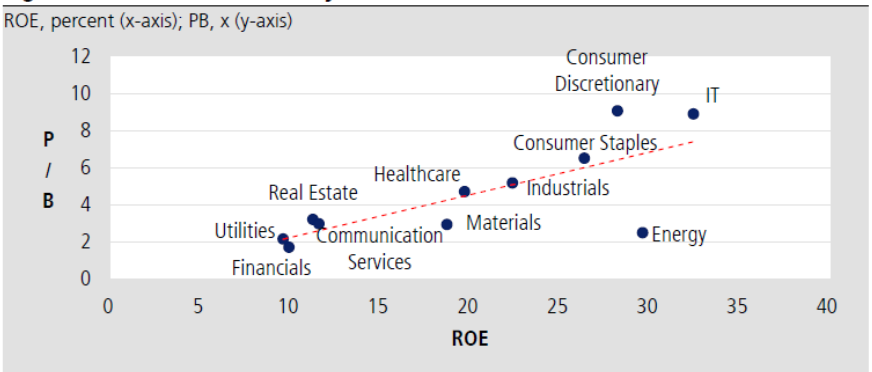
Source: Bloomberg; KGI Research

Figure 18: S&P 500 sectoral EPS growth forecasts

	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	2021	2022	2023
S&P 500	4.4	(2.8)	(3.7)	(3.1)	3.4	9.8	109.3	5.2	1.5
Consumer Discretionary	13.3	(17.0)	32.7	30.7	15.1	21.7	161.4	(10.8)	23.9
Consumer Staples	1.3	(2.2)	(2.6)	6.1	7.9	9.1	18.7	2.6	4.6
Energy	140.9	59.6	18.8	(31.9)	(26.1)	(10.9)	N.M.	154.1	(15.5)
Financials	(16.4)	(10.8)	5.4	10.1	18.1	14.7	99.7	(15.8)	11.7
Real Estate	14.8	7.8	(5.8)	(2.0)	(4.4)	6.2	68.7	15.6	(1.8)
Health Care	1.5	(2.5)	(16.9)	(10.9)	(4.6)	0.8	64.6	6.3	(7.8)
Industrials	19.6	40.5	18.5	2.8	13.7	8.6	194.9	32.3	10.2
Information Technology	(0.2)	(9.2)	(11.9)	(3.6)	2.2	12.7	41.9	1.1	0.0
Materials	(7.8)	(18.8)	(29.7)	(22.5)	(3.5)	2.5	168.2	9.2	(15.9)
Communication Services	(26.1)	(25.4)	(11.9)	7.1	22.6	29.2	81.3	(19.5)	8.5
Utilities	(7.0)	5.0	(8.6)	4.2	11.6	21.8	18.2	3.0	6.4

Source: Refinitiv; KGI Research

Figure 19: S&P 500 PB & ROE by sector



Source: Bloomberg; KGI Research

Figure 20: Key US economic data

Indicators		Units	2020	2021	2022	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
GDP	GDP QoQ SAAR	QoQ %, SAAR					(1.6)			(0.6)			3.2			2.9	
	GDP YoY	YoY %	(2.8)	5.9	2.1		3.7			1.8			1.9			1.0	
Consumer prices	CPI	YoY %	1.2	4.7	8.0	7.9	8.5	8.3	8.6	9.1	8.5	8.3	8.2	7.7	7.1	6.5	6.4
	Core CPI	YoY %	1.7	3.6	6.2	6.4	6.5	6.2	6.0	5.9	5.9	6.3	6.6	6.3	6.0	5.7	5.6
	PCE price index	YoY %	1.1	4.0	6.2	6.4	6.8	6.4	6.5	7.0	6.4	6.3	6.3	6.1	5.5	5.0	
	Core PCE index	YoY %	1.3	3.5	5.0	5.4	5.4	5.0	4.9	5.0	4.7	4.9	5.2	5.1	4.7	4.4	
Labor market	Labor force participation rate	%	61.5	62.0	62.3	62.2	62.4	62.2	62.3	62.2	62.1	62.3	62.3	62.2	62.2	62.3	62.4
	Unemployment rate	%	8.1	5.4	3.6	3.8	3.6	3.6	3.6	3.6	3.5	3.7	3.5	3.7	3.6	3.5	3.4
	Non farm payrolls	'000	(9,289)	7,267	4,814	904	414	254	364	370	568	352	350	324	290	260	517
	Net Change In total employment in labor force	'000	(8,873)	6,120	4,814	468	738	(346)	317	(242)	215	422	156	(257)	(66)	717	894
	Challenger job cut announce	YoY %	15.8	(1.2)	(1.7)	(56)	(30)	6	(16)	59	36	30	68	48	417	129	440
	Opening/ hiring	x	1.07	1.55	1.74	1.66	1.78	1.79	1.74	1.71	1.79	1.62	1.75	1.72	1.73	1.79	
	Avg. hourly earnings	YoY %	5.5	5.0	4.8	5.3	5.9	5.8	5.5	5.4	5.4	5.4	5.1	4.9	5.0	4.8	4.4
Economic activity & business condition	Industrial production	YoY %	(7.0)	4.9	3.9	6.9	4.8	5.3	4.4	3.8	3.6	3.6	5.0	3.4	2.2	1.7	
	Durable goods orders	YoY %	(4.5)	15.6	10.5	10.3	9.8	10.1	12.2	11.9	9.1	11.3	11.5	10.5	6.3	11.0	
	Core capital goods orders	YoY %	(7.8)	12.4	8.3	11.5	10.6	6.4	11.2	9.4	7.3	9.8	8.0	6.4	5.1	3.2	
	Total business inventory/ sales ratio	x	1.44	1.28		1.27	1.28	1.29	1.30	1.30	1.32	1.33	1.33	1.33	1.35		
	Manufacturing inventory/ sales ratio	x	1.61	1.51	1.47	1.48	1.47	1.47	1.46	1.46	1.47	1.46	1.45	1.46	1.47	1.49	
	Retail inventory/ sales ratio	x	1.34	1.13		1.15	1.18	1.18	1.20	1.21	1.23	1.24	1.24	1.22	1.24		
	ISM manufacturing index	Point	52.4	60.7	53.5	58.4	57.0	55.9	56.1	53.1	52.7	52.9	51.0	50.0	49.0	48.4	47.4
	ISM non-manufacturing index	Point	54.3	62.4	56.1	57.2	58.4	57.5	56.4	56.0	56.4	56.1	55.9	54.5	55.5	49.2	55.2
	ISM manufacturing index: new orders	Point	53.9	64.3	51.6	61.2	54.3	53.8	54.9	50.0	48.6	50.4	47.3	48.2	46.8	45.1	42.5
	Chicago Fed National activity Index	Point	(0.48)	0.36	0.02	0.50	0.19	0.21	(0.25)	(0.34)	0.24	0.18	0.07	0.00	(0.51)	(0.49)	
	Conference board leading index	YoY %	(4.6)	6.6	0.9	7.0	6.0	4.4	2.8	1.3	(0.3)	(1.1)	(1.6)	(3.2)	(4.5)	(6.0)	
	C&I Loans for large/medium - tightening lending standard	%	37.6	(15.1)	11.8			(1.5)			24.2			39.1			44.8
	C&I Loans for large/medium - stronger demand	%	(15.5)	(1.2)	12.4			12.3			24.2			(8.8)			(31.3)
Housing market	Building Permits	'000, SAAR	1,476	1,737	1,649	1,857	1,879	1,823	1,695	1,696	1,685	1,542	1,564	1,512	1,351	1,337	
	Housing starts	'000, SAAR	1395	1,605	1,555	1,777	1,716	1,805	1,562	1,575	1,377	1,508	1,465	1,426	1,401	1,382	
	New home sales	'000, SAAR	831	769	642	790	707	619	636	571	543	646	550	598	602	616	
	Existing home sales	mn, SAAR	5.6	6.1	5.1	5.9	5.8	5.6	5.4	5.1	4.8	4.8	4.7	4.4	4.1	4.0	
	NAHB housing market index	Point, SA	70	81	59	81	79	77	69	67	55	49	46	38	33	31	35
	S&P/Case-Shiller 20-city composite home price index	YoY %	10.2	18.5		20.3	21.2	21.2	20.5	18.6	16.0	13.1	10.4	8.7	6.8		
Consumption	Personal expenditures	YoY %, SA	(3.0)	8.3	2.8	6.7	2.3	2.4	2.6	2.1	2.2	2.3	2.1	1.8	1.7	2.2	
	Retail sales	YoY %	0.6	19.8	9.2	17.7	7.1	7.8	8.7	8.8	10.0	9.7	8.4	8.0	6.0	6.0	
	Retail sales ex-autos	YoY %	1.3	19.1	10.6	17.7	9.5	10.5	12.0	11.0	12.1	10.3	9.1	8.6	7.2	7.0	
	Domestic vehicles sales	mn, SA	173.0	179.2	164.8	14.1	13.3	14.3	12.7	13.0	13.4	13.2	13.5	14.9	14.1	13.3	15.7
	Conference board consumer confidence	Point	101.0	112.7	104.5	105.7	107.6	108.6	103.2	98.4	95.3	103.6	107.8	102.2	101.4	109.0	107.1
	Michigan Consumer Sentiment Index	Point	81.5	77.6	59.0	62.8	59.4	65.2	58.4	50.0	51.5	58.2	58.6	59.9	56.8	59.7	64.9
Fiscal	Budget balance	As % of GDP	(15.6)	(10.8)	(5.5)	(9.2)	(7.2)	(4.9)	(4.7)	(4.3)	(3.2)	(3.7)	(5.4)	(4.3)	(5.3)	(5.5)	(6.0)
Int'l balance	Current account balance	As % of GDP	(2.9)	(3.6)			(3.8)			(3.9)			(3.7)				
	Net foreign securities transactions	US $bn	505	907		145.0	23.7	87.6	155.3	121.8	21.3	198.3	117.7	67.8	171.5		
Monetary & financial	Federal funds rate	%	0.25	0.25	4.50	0.25	0.50	0.50	1.00	1.75	2.50	2.50	3.25	3.25	4.00	4.50	4.50
	10-Year treasury yield	%	0.91	1.51	3.87	1.83	2.34	2.93	2.84	3.01	2.65	3.19	3.83	4.05	3.61	3.87	3.51
	Dollar index	Point	89.9	95.7	103.5	96.7	98.3	103.0	101.8	104.7	105.9	108.7	112.1	111.5	106.0	103.5	102.1

Source: Bloomberg; KGI Research

Figure 21: Key Taiwan economic data

Indicators		Units	2020	2021	2022	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
GDP	GDP YoY	YoY %	3.4	6.5	2.4		3.9			3.0			4.0			(0.9)	
Consumer prices	CPI	YoY %	(0.2)	2.0	3.0	2.3	3.3	3.4	3.4	3.6	3.4	2.7	2.8	2.7	2.4	2.7	3.0
	Core CPI	YoY %	0.7	1.8	2.7	1.6	2.5	2.5	2.6	2.8	2.7	2.7	2.8	3.0	2.9	2.7	3.0
Labor market	Unemployment rate	%	3.7	3.7	3.6	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.6	3.6	3.6	3.6	
Economic activity	Industrial production	YoY %	7.1	13.4	0.9	9.5	2.4	6.4	4.1	0.5	1.6	3.3	(4.5)	(4.3)	(5.6)	(7.9)	
	Markit Taiwan manufacturing PMI	Point		58.5	47.7	54.3	54.1	51.7	50.0	49.8	44.6	42.7	42.2	41.5	41.6	44.6	44.3
	NDC monitoring light signal					Yellow-red	Green	Green	Green	Green	Green	Green	Yellow-blue	Yellow-blue	Blue	Blue	
	NDC monitoring indicators	Point	24.3	39.0	24.2	34.0	31.0	28.0	28.0	27.0	24.0	23.0	17.0	18.0	12.0	12.0	
	NDC composite leading index	YoY %	(0.5)	4.1	(3.7)	5.5	5.2	4.7	4.0	2.9	1.5	0.1	(1.3)	(2.4)	(3.1)	(3.5)	
	NDC composite coincident index	YoY %	(1.1)	5.1	(2.6)	7.7	7.0	6.5	6.0	5.4	4.4	2.6	0.4	(2.1)	(4.8)	(7.3)	
Consumption	Retail sales	YoY %	0.2	3.3	7.4	0.2	5.5	4.7	3.6	22.5	18.1	12.0	7.8	2.1	1.8	9.4	
Trade	Exports	US$bn	345.2	446.6	479.7	37.5	43.5	41.5	42.1	42.2	43.3	40.3	37.5	39.9	36.1	35.8	31.5
	Imports	US$bn	285.8	381.3	428.1	31.6	38.9	36.6	39.7	37.6	38.3	37.4	32.5	37.0	32.7	31.0	29.2
	Trade balance	US$bn	59.4	65.3	51.6	5.8	4.7	4.9	2.4	4.6	5.0	3.0	5.0	3.0	3.4	4.8	2.3
	Export growth	YoY %	4.9	29.4	7.4	34.8	21.3	18.8	12.4	15.2	13.9	1.9	(5.3)	(0.5)	(13.1)	(12.1)	(21.2)
	Import growth	YoY %	0.1	33.4	12.3	35.2	19.4	26.7	26.6	19.1	19.1	3.4	(2.6)	8.2	(9.2)	(11.4)	(16.6)
	Export orders	US$bn	533.7	674.1	666.8	51.6	62.7	51.9	55.4	58.8	54.3	54.6	60.9	55.4	50.1	52.2	
	Export order growth	YoY %	10.1	26.3	(1.1)	21.1	16.8	(5.5)	6.0	9.5	(1.9)	2.0	(3.1)	(6.3)	(23.5)	(23.2)	
Monetary & financial	M1B	YoY %	16.2	12.8	4.1	11.1	10.9	9.8	8.5	8.1	6.7	7.6	6.6	5.2	4.4	4.1	
	M2	YoY %	8.5	8.0	7.1	7.7	8.1	8.1	7.9	7.7	7.0	6.9	6.8	7.3	7.4	7.1	
	Foreign reserves	US$bn	529.9	548.4	554.9	550.0	548.8	545.1	548.9	549.0	547.8	545.5	541.1	542.8	552.2	554.9	557.1
	Rediscount rate	%	1.1	1.1	1.8	1.1	1.4	1.4	1.4	1.5	1.5	1.5	1.6	1.6	1.6	1.8	1.8
	Exchange rate	USD/TWD	28.1	27.7	30.7	28.0	28.6	29.4	29.0	29.7	29.9	30.4	31.8	32.3	30.8	30.7	30.0

Source: Bloomberg; KGI Research

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