

US stock bullishness to extend into 2Q-3Q24F

Market re-timing first Fed cut strengthens soft landing chance

Key message

1. Our 2024F US stock market forecast is revised, on a stronger US economy and earlier pricing-in of the AI trend, with bullishness extending into 2Q-3Q24F.
2. Limited US service sector downside and a deeper consumption growth slope are key to economic resilience. Labor market changes the most positive sign of economic health.
3. Soft landing path bolstered by market re-pricing the timing of the first Fed cut. Stock volatility was measured, on varying interpretations of the Fed's intentions.

We have revised our 2024F US stock market forecast. We previously expected the market to hit a short-term peak in mid-1Q24F, correct afterwards, until early-to-mid 3Q24F, and rally to the end of the year. Now we expect the current bull run to extend into 2Q-3Q24F, followed by a decline, for three reasons: (1) the US economy is stronger than we had projected; (2) the time for a steeper economic downtrend will be delayed to 2H24F; and (3) the market has priced in the AI trend earlier than previously thought.

US manufacturing sector recovery fragile, but service sector downside limited

US economic data over the past few months has been stronger than expected, prompting discussions about why the US economy has been beating consensus for more than a year. We believe an important reason is that the more or less accurate leading indicators projected by the Conference Board in the past have not been predictive recently. Judging by leading indicators, the US economy should have been weaker, a stark contrast to reality over the past year. Deviation of leading indicators from economic outcomes were evidenced by the major gap between the deep cyclical trends, such as in semiconductors, capital goods, and transportation, and the leading indicators (Figure 1). Another key factor, which we may have neglected, is although the languid recovery in the manufacturing sector, with weak core capital goods orders and sluggish regional Fed surveys of capex intentions (Figure 2), the downturn in the service industry has been limited. To be precise, the manufacturing sector has stabilized, but its recovery has been relatively tepid, while the overall economy has been bolstered by the service sector, which has limited downside and a much higher weighting.

Consumption & overall demand remains solid as MPC rises, while slope of retail sales has steepened structurally

Consumption resilience, in excess of market expectations, is another key factor that has led to a deferred economic downturn. Consumer confidence has improved markedly as inflation has eased, boosting overall retail performance (Figure 3). For core retail sales, except automobiles, the slope of the curve has steepened structurally, as we previously mentioned (Figure 4). This explains why the savings rate in the US in recent years has been lower than the 7-8% level before the pandemic, on a structurally stronger marginal propensity to consume (MPC). We believe this may be attributable to the 'You Only Live Once' (YOLO) sentiment after the pandemic, resulting in demand exceeding market expectations.

Changes in the labor market are key metrics for identifying the economic inflection point amid mixed signals

Although we have pushed back our prediction of an economic downturn, as we have been amazed by the resilience of the US economy, changes should be closely monitored. We believe current economic indicators are mixed. The labor market will be helpful for interpreting whether the economy has reached an inflection point (Figure 5). The unemployment rate is a lagging indicator, while job vacancy, hiring, and turnover rates are leading indicators, all of which have slowed for a relatively long period. In addition, we note that rapidly rising temporary employment signals an overheating economy, which is usually followed by an economic recession. The current situation may be slightly different, but when the US labor market softens to the point that unemployment rises rapidly, it will signal that the economy has reached the inflection point, but this will happen gradually.

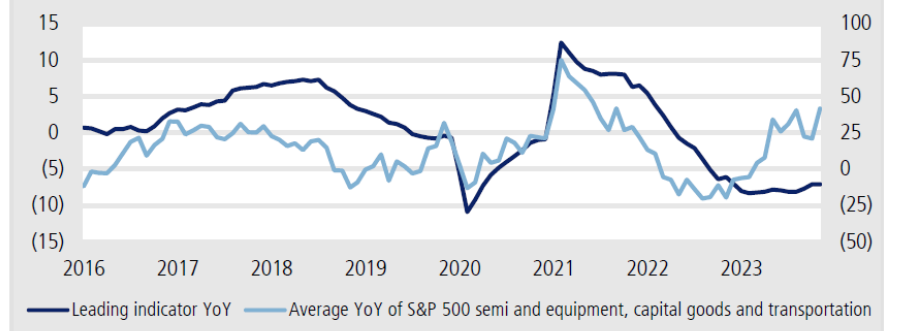
Conclusion – Market re-pricing timing of first Fed cut strengthens likelihood of soft landing; ongoing bull run to extend to 2Q24F

Although we have delayed our prediction of an economic downturn to 2H24F, and a recession to 4Q24 or later, if it happens at all, we maintain our general trend forecast. The S&P 500 earnings growth forecast this year remains at double-digits, but sales growth will only reach 5% (Figure 7). A reasonable economic growth level can be achieved after inflation eases. We are positive on an extended rally, and project share price downward revisions to be deferred by 2-3 quarters on decent fundamentals, coupled with the aforementioned AI trend being priced in earlier than expected. In fact, the market has entered a stage of re-pricing the timing of interest rate cuts, without reaching consensus, so it will not be shocking if the market fluctuates on new information. A deferred interest rate cut would solidify expectations for a soft landing. We are therefore upbeat about the overall stock market, and accordingly revise up our forecasts.

We recommend increasing allocation of growth stocks over value stocks from 2Q24, and increasing allocation of defensives over cyclicals later. Historically, defensives outperform cyclicals during an economic downturn (Figure 8). During economic downtrends and recessions in the past, health care (defensives) and tech growth stocks have outperformed the broader market (Figure 9). Both are in line with our recommendations. Our recommendation for allocation of large-caps to small-caps will be largely the same throughout the year. Small-caps are sensitive to high interest rates, so a higher interest rate environment is less favorable to them (Figure 10). We have low expectations on the performance of small-caps prior to rate cuts, as they will still be in the woods after rate cuts commence, owing to an economic downturn. Our recommendation of large-caps outperforming small-caps is applicable to individual industries as well. Risk for small banks has been ignored by the market for a long time. When risk emerged last March, the crisis was resolved eventually when the Bank Term Funding Program (BTFP) was rolled out by the Fed. The ability to overcome obstacles still differentiates large banks from small banks. An example is the delinquency rate on credit card loans. Small banks face greater pressure when dealing with bad debt. This is why regional bank stocks have underperformed the broader market (Figure 11).

Figure 1: Most US leading indicators were uninformative when interpreting upcoming economic trends over the past year

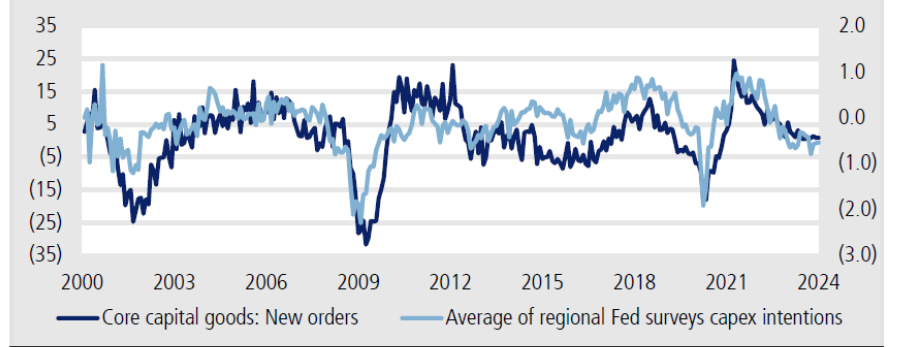
Leading indicator YoY, percent (LHS); average YoY of S&P 500 semi and equipment, capital goods and transportation (adv. 1 month, RHS)



Source: Bloomberg; KGI Research

Figure 2: Sluggish average capex intentions in regional Fed surveys indicate weak manufacturing sector recovery

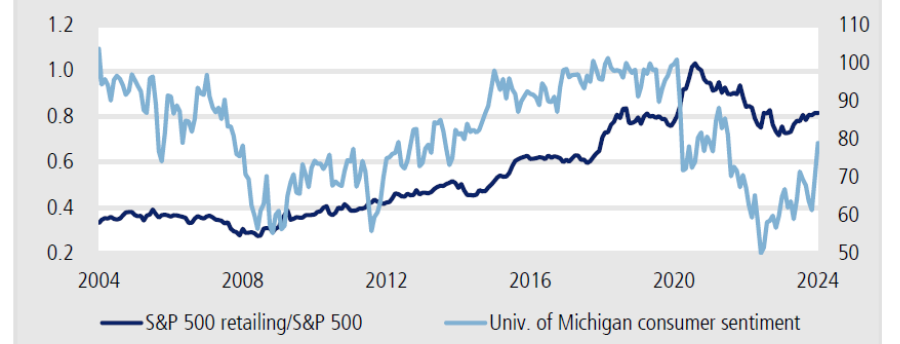
Core capital goods: New orders YoY, percent (LHS), average capex intentions in regional Fed surveys, points (RHS)



Source: Bloomberg; KGI Research

Figure 3: Performance of retail sector has been boosted by recovery of consumer confidence

S&P 500 retailing/S&P 500, ratio (LHS); University of Michigan consumer sentiment, points (RHS)



Source: Bloomberg; KGI Research

Figure 4: Slope of real core retailing has risen structurally post-pandemic

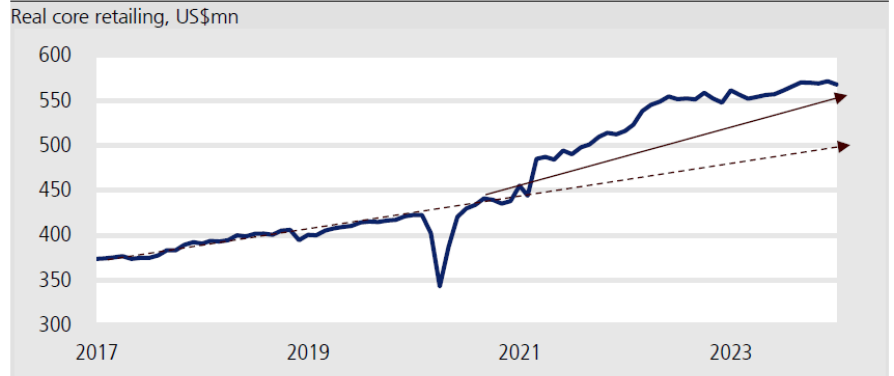


Figure 5: Leading labor market indicators have slowed; focus on unemployment rate changes

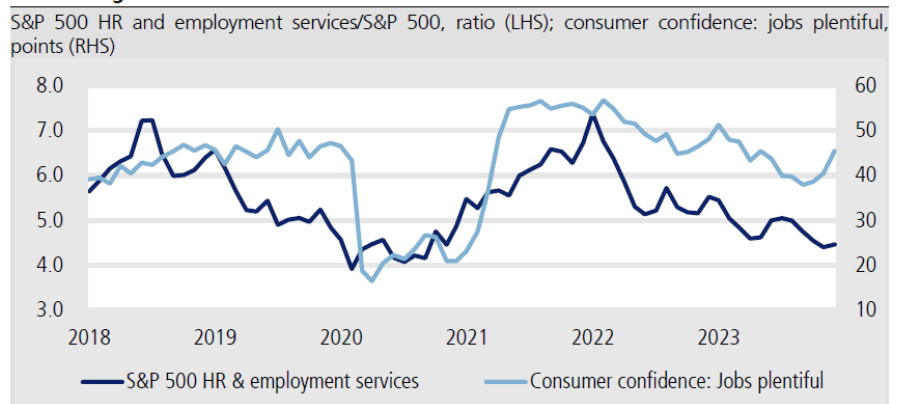


Figure 6: Historically, economic recession will occur after temporary employment surges

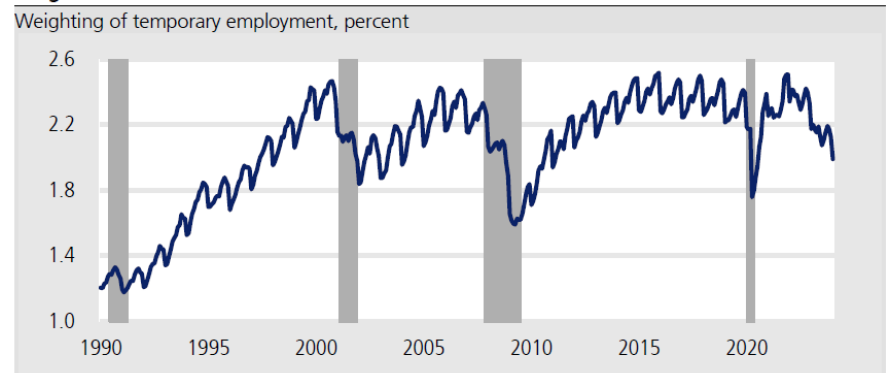


Figure 7: US economy to continue to trend down, evidenced by low sales growth forecast in stock market

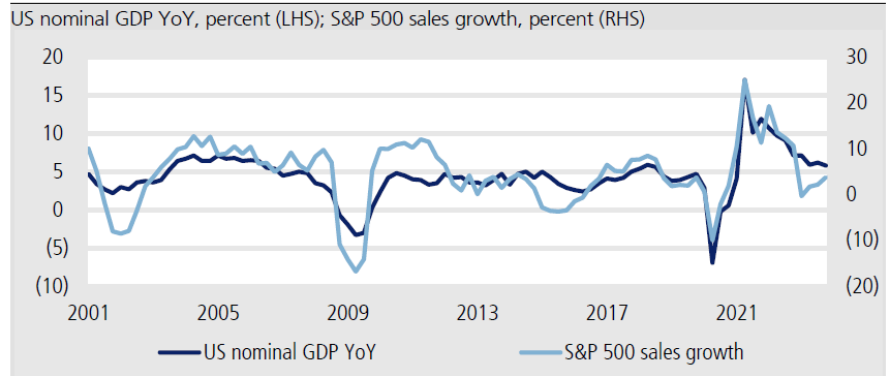


Figure 8: Cyclical sectors underperform defensives before economy enters recession

MSCI USA defensive sectors index/MSCI USA index, MSCI USA cyclical sectors index/MSCI USA index, ratio

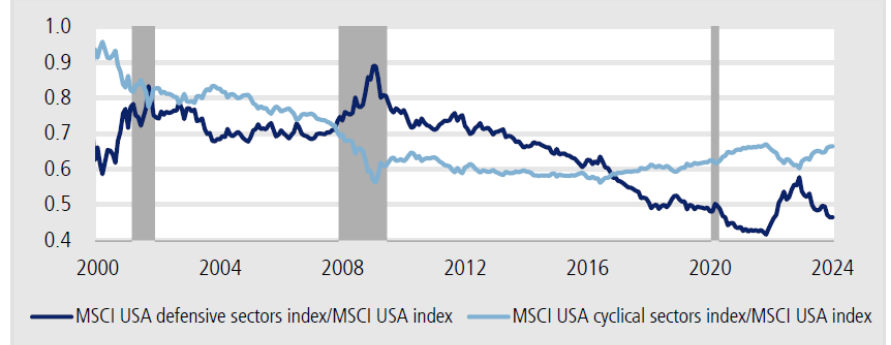


Figure 9: During economic downturns & recessions, healthcare & tech stocks outperform broader market

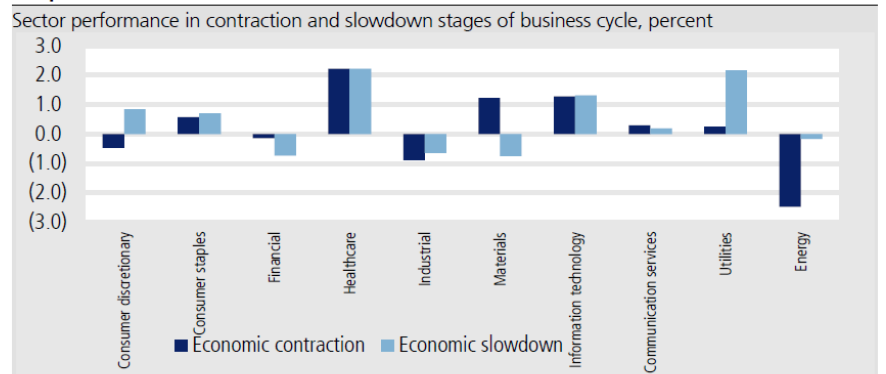
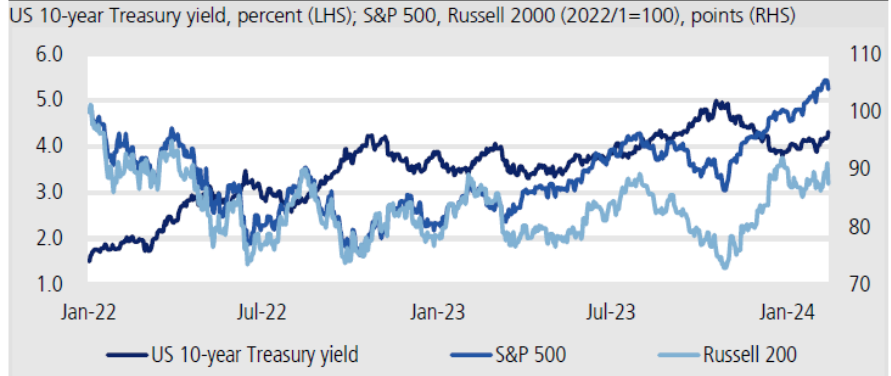


Figure 10: Interest rate uptrend is unfavorable for small caps

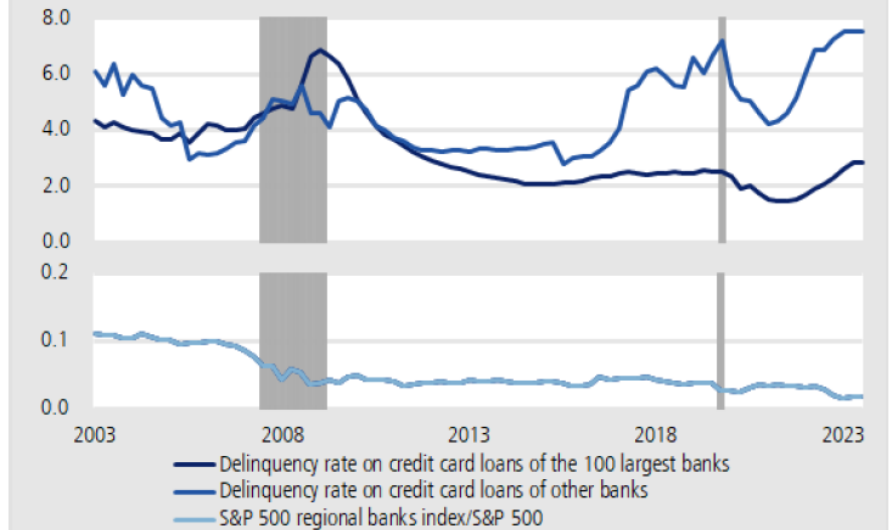


Source: Bloomberg; KGI Research

Figure 11: Small banks face greater pressure in banking system, capping performance of regional banks

Upper level: Delinquency rates on credit card loans for 100 largest banks, delinquency rate on credit card loans of other banks, percent

Lower level: S&P 500 regional banks index/S&P 500, ratio



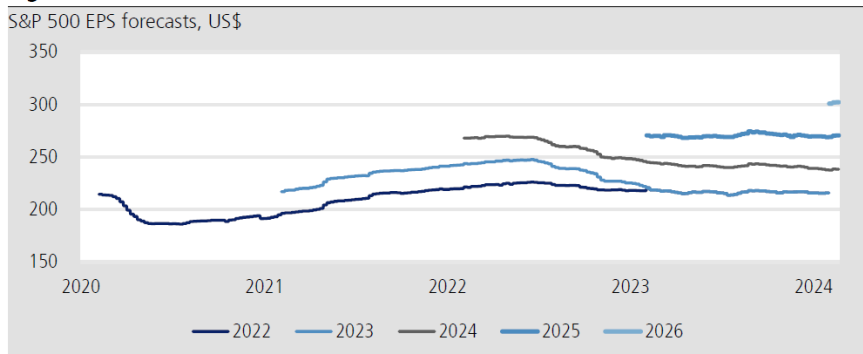
Note: Shaded areas denote NBER-designated recessions

Source: Bloomberg; KGI Research

Figure 12: Major international political & economic events over next quarter

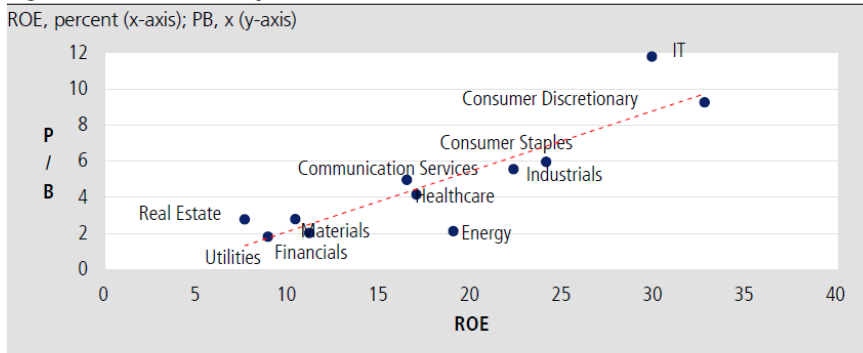
Date	Major event	Possible effect
March	China's Two Sessions	The tone of "maintaining stability" is expected to be repeated; more implementation details will be revealed
March 5	US presidential primaries Super Tuesday	The presidential candidates of both parties can be basically determined, and market uncertainties will ease, as will risk premium
March 19-20	Fed FOMC Meeting	The Fed may announce that quantitative tightening will be reduced in 2Q, which would prompt bullishness in the market

Source: KGI Research

Figure 13: S&P 500 EPS forecasts

Figure 14: S&P 500 EPS growth forecasts by sector

	4Q23	1Q24	2Q24	3Q24	4Q24	2022	2023	2024
S&P 500	9.6	5.2	10.0	8.2	14.1	4.8	4.0	9.5
Consumer Discretionary	34.8	17.7	6.9	6.0	18.2	(9.0)	47.4	11.9
Consumer Staples	4.7	(0.4)	3.4	6.6	7.5	0.1	4.1	4.8
Energy	(21.8)	(24.5)	8.8	(6.6)	(3.7)	152.3	(25.6)	(6.8)
Financials	8.9	5.1	6.2	0.5	13.6	(13.2)	12.0	6.1
Health Care	(15.1)	(4.6)	22.2	19.2	27.2	10.8	(18.9)	15.5
Industrials	7.9	5.0	2.8	15.2	10.5	6.3	23.2	8.6
Materials	(18.9)	(20.6)	(5.7)	8.1	19.1	32.1	(22.2)	(0.3)
Real Estate	13.0	2.8	(1.7)	4.7	6.5	0.0	1.3	3.0
Information Technology	21.9	18.2	13.7	12.6	15.2	8.7	8.5	14.8
Communication Services	54.1	26.6	18.6	9.4	15.8	(22.1)	24.7	17.0
Utilities	51.2	19.3	8.7	5.8	10.6	2.0	6.2	6.7

Source: Refinitiv; KGI Research

Figure 15: S&P 500 PB by sector, versus ROE


Appendix: ETF classified indices

Multi-asset

Global Stock & Bond (Growth)	AOR	iShares Core Growth Allocation ETF	Global Stock & Bond (Moderate)	AOM	iShares Core Moderate Allocation ETF
------------------------------	-----	--	--------------------------------	-----	--

Source: KGI Research

Equity

Region & country			Sectors & sub-sectors		
Global	ACWI	iShares MSCI ACWI ETF	Technology	XLK	Technology Select Sector SPDR Fund
Global ex. US	SPDW	SPDR Portfolio Developed World ex-US ETF	Energy	XLE	Energy Select Sector SPDR Fund
EAFE	IEFA	iShares Core MSCI EAFE ETF	Health Care	XLV	Health Care Select Sector SPDR Fund
US (S&P 500)	SPY	SPDR S&P 500 ETF Trust	Consumer Staples	XLP	Consumer Staples Select Sector SPDR Fund
Short S&P 500	SH	ProShares Short S&P500	Utilities	XLU	Utilities Select Sector SPDR Fund
3x Short S&P 500	SPXU	ProShares UltraPro Short S&P500	Consumer Discretionary	XLY	Consumer Discretionary Select Sector SPDR Fund
US (Dow Jones)	DIA	SPDR Dow Jones Industrial Average ETF Trust	Communication Services	XLC	Communication Services Select Sector SPDR Fund
3x Short Dow Jones	SDOW	ProShares UltraPro Short Dow30	Materials	XLB	Materials Select Sector SPDR Fund
US (Nasdaq 100)	QQQ	Invesco QQQ Trust	Financial	XLF	Financial Select Sector SPDR Fund
3x Long Nasdaq 100	TQQQ	ProShares UltraPro QQQ	3x Short Financials	FAZ	Direxion Daily Financial Bear 3X Shares
Short Nasdaq 100	PSQ	ProShares Short QQQ	Industrial	XLI	Industrial Select Sector SPDR Fund
3x Short Nasdaq 100	SQQQ	ProShares UltraPro Short QQQ	Real Estate	XLRE	Real Estate Select Sector SPDR Fund
Eurozone	EZU	iShares MSCI Eurozone ETF	3x Long Real Estates	DRN	Direxion Daily Real Estate Bull 3x Shares
Europe Hedge	HEDJ	WisdomTree Europe Hedged Equity Fund	Semiconductor	SMH	VanEck Semiconductor ETF
Japan	EWJ	iShares MSCI Japan ETF	3x Long Semiconductor	SOXL	Direxion Daily Semiconductor Bull 3x Shares
United Kingdom	EWU	iShares MSCI United Kingdom ETF	Software	IGV	iShares Expanded Tech-Software Sector ETF
Germany	EWG	iShares MSCI Germany ETF	Retail	XRT	SPDR S&P Retail ETF
France	EWQ	iShares MSCI France ETF	Online Retail	IBUY	Amplify Online Retail ETF
Switzerland	EWL	iShares MSCI Switzerland ETF	Food & Beverage	PBJ	Invesco Dynamic Food & Beverage ETF
Sweden	EWD	iShares MSCI Sweden ETF	Bank	KBWB	Invesco KBW Bank ETF
EM	EEM	iShares MSCI Emerging Markets ETF	Regional Bank	KRE	SPDR S&P Regional Banking ETF
Asia ex. Japan	AAXJ	iShares MSCI All Country Asia ex-Japan ETF	3x Long Big Bank	BNKU	MicroSectors U.S. Big Banks Index 3X Leveraged ETNs
China	FXI	iShares China Large-Cap ETF	Insurance	KIE	SPDR S&P Insurance ETF
China CSI 300	ASHR	Xtrackers Harvest CSI 300 China A-Shares ETF	Global Upstream Natural Resources	GUNR	FlexShares Morningstar Global Upstream Natural Resources Index Fund
3x Long China	YINN	Direxion Daily FTSE China Bull 3X Shares	Oil & Gas Exploration & Production	XOP	SPDR S&P Oil & Gas Exploration & Production ETF
3x Short China	YANG	Direxion Daily FTSE China Bear 3X Shares	Oil Services	OIH	VanEck Oil Services ETF
China companies listed on US	PGJ	Invesco Golden Dragon China ETF	Natural Gas Company	FCG	First Trust Natural Gas ETF
Hong Kong	EWH	iShares MSCI Hong Kong ETF	Metals & Mining	XME	SPDR S&P Metals & Mining ETF
South Korea	EWY	iShares MSCI South Korea ETF	Copper Miners	COPX	Global X Copper Miners ETF
Taiwan	0050.TW	Yuanta/P-shares Taiwan Top 50 ETF	Infrastructure Development	PAVE	Global X US Infrastructure Development ETF
India	INDA	iShares MSCI India ETF	Transportation	IYT	iShares US Transportation ETF
Brazil	EWZ	iShares MSCI Brazil ETF	Jets	JETS	U.S. Global Jets ETF
Vietnam	VNM	VanEck Vietnam ETF	Aerospace & Defense	ITA	iShares U.S. Aerospace & Defense ETF
Style			Biotech	XBI	SPDR S&P Biotech ETF
US Growth	IWW	iShares S&P 500 Growth ETF	Medical Devices	IHI	iShares U.S. Medical Devices ETF
Small (Russell 2000)	IWM	iShares Russell 2000 ETF	Homebuilder	XHB	SPDR S&P Homebuilders ETF
3x Long Small	TNA	Direxion Daily Small Cap Bull 3X Shares	Global Energy	IXC	iShares Global Energy ETF
Shot Russell 2000	RWM	ProShares Short Russell2000	Global Metals & Mining Producers	PICK	iShares MSCI Global Metals & Mining Producers ETF
Large Growth	SPYG	SPDR Portfolio S&P 500 Growth ETF	Global Infrastructure	IGF	iShares Global Infrastructure ETF
Large Value	SPYV	SPDR Portfolio S&P 500 Value ETF	Europe Financials	EUFN	iShares MSCI Europe Financials ETF
Small Growth	SLYG	SPDR S&P 600 Small Cap Growth ETF	China Technology	CQQQ	Invesco China Technology ETF
Small Value	SLYV	SPDR S&P 600 Small Cap Value ETF	China Internet	KWEB	KraneShares CSI China Internet ETF
S&P high beta(proxy Cyclical)	SPHB	Invesco S&P 500 High Beta ETF	Theme		
US High Dividend	SCHD	Schwab US Dividend Equity ETF	ESG	ESGU	iShares ESG Aware MSCI USA ETF
Global High Dividend	IDV	iShares International Select Dividend ETF	EM ESG	ESGE	iShares ESG Aware MSCI EM ETF
Capital Strength	FTCS	First Trust Capital Strength ETF	Energy Storage	00902.TW	CTBC Battery & Energy Storage Technology ETF
US RAFI Small-Mid	PRFZ	Invesco FTSE RAFI US 1500 Small-Mid ETF	Clean Energy	ICLN	iShares Global Clean Energy ETF
			Solar	TAN	Invesco Solar ETF
			Autonomous & Electric Vehicles	DRIV	Global X Autonomous & Electric Vehicles ETF
			Lithium Battery	LIT	Global X Lithium & Battery Tech ETF
			Internet	SNSR	Global X Internet of Things ETF
			Robotics & Automation	ROBO	ROBO Global Robotics & Automation Index ETF
			Cybersecurity	CIBR	First Trust NASDAQ Cybersecurity ETF
			Cloud Computing	SKYY	First Trust Cloud Computing ETF
			Blockchain	BLOK	Amplify Transformational Data Sharing ETF
			Metaverse	METV	Roundhill Ball Metaverse ETF
			3x Long FAANG	FNGU	MicroSectors FANG+™ Index 3X Leveraged ETN
			Share Buyback	PKW	Invesco BuyBack Achievers™ ETF
			IPO	FPX	First Trust US Equity Opportunities ETF
			Inflation Beneficiaries	INFL	Horizon Kinetics Inflation Beneficiaries ETF
			Wide Moat	MOAT	VanEck Morningstar Wide Moat ETF
			Smart Grid	GRID	First Trust Nasdaq Clean Edge Smart GRID Infrastructure Index
			Volatility		
			Long	UVXY	ProShares Ultra VIX Short-Term Futures ETF
			2x Long	UVIX	2x Long VIX Futures ETF
			Short	SVIX	-1x Short VIX Futures ETF

Source: KGI Research

Fixed income

Aggregate bond			Investment grade		
Global Aggregate	BNDX	Vanguard Total International Bond ETF	Global IG	IBND	SPDR Bloomberg International Corporate Bond ETF
US Core Aggregate	AGG	iShares Core U.S. Aggregate Bond ETF	US IG	LQD	iShares iBoxx \$ Investment Grade Corporate Bond ETF
Treasury			US Short-term IG	VCSH	Vanguard Short-Term Corporate Bond ETF
US Treasury	GOVT	iShares U.S. Treasury Bond ETF	US Mid-term IG	VCIT	Vanguard Intermediate-Term Corporate Bond ETF
US Short-term (1-3M)	BIL	SPDR Bloomberg 1-3 Month T-Bill ETF	US Long-term IG	VCLT	Vanguard Long-Term Corporate Bond ETF
US Short-term (1-3Y)	SHY	iShares 1-3 Year Treasury Bond ETF	US AAA-A Corporate Bond	00751B.TW	Yuantia US 20+ Year AAA-A Corporate Bond ETF
US Mid-term (3-7Y)	IEI	iShares 3-7 Year Treasury Bond ETF	High Yield		
US Mid-term (7-10Y)	IEF	iShares 7-10 Year Treasury Bond ETF	US HY	HYG	iShares iBoxx \$ High Yield Corporate Bond ETF
US Long-term (10-20Y)	TLH	iShares 10-20 Year Treasury Bond ETF	US Short-term HY	SJNK	SPDR Bloomberg Short Term High Yield Bond ETF
US Long-term (20+Y)	TLT	iShares 20+ Year Treasury Bond ETF	Fallen Angel	ANGL	VanEck Fallen Angel High Yield Bond ETF
3x Long US Long-term	TMF	Direxion Daily 20+ Year Treasury Bull 3X Shares	EM		
3x Short US Long-term	TMV	Direxion Daily 20+ Year Treasury Bear 3x Shares	EM USD Bond	EMB	iShares J.P. Morgan USD Emerging Markets Bond ETF
TIPS	TIP	iShares TIPS Bond ETF	EM Local Currency Bond	EMLC	VanEck J. P. Morgan EM Local Currency Bond ETF
Short-term TIPS	VTIP	Vanguard Short-Term Inflation-Protected Securities ETF	EM Sovereign Debt	PCY	Invesco Emerging Markets Sovereign Debt ETF
Interest Rate Hedge	PFIH	Simplify Interest Rate Hedge ETF	Others		
AMT-Free Municipal	PZA	Invesco National AMT-Free Municipal Bond ETF	Convertible Securities	CWB	SPDR Bloomberg Convertible Securities ETF
			MBS	MBB	iShares MBS ETF
			Senior Loan	BKLN	Invesco Senior Loan ETF

Source: KGI Research

Commodity

Overall			Metals		
Commodity	DBC	Invesco DB Commodity Index Tracking Fund	Gold	GLD	SPDR Gold Shares
Dry Bulk Shipping	BDRY	Breakwave Dry Bulk Shipping ETF	Silver	SLV	iShares Silver Trust
Energy			2x Long Silver	AGQ	ProShares Ultra Silver
Crude Oil	USO	United States Oil Fund LP	Platinum	PPLT	abrdn Physical Platinum Shares ETF
2x Long Crude Oil	UCO	ProShares Ultra Bloomberg Crude Oil	Palladium	PALL	abrdn Physical Palladium Shares ETF
2x Short Crude Oil	SCO	ProShares UltraShort Bloomberg Crude Oil	Industrial Metal	DBB	Invesco DB Base Metals Fund
Natural Gas	UNG	United States Natural Gas Fund LP	Steel	SLX	VanEck Steel ETF
2x Long Natural Gas	BOIL	ProShares Ultra Bloomberg Natural Gas	Copper	CPER	United States Copper Index Fund
2x Short Natural Gas	KOLD	ProShares UltraShort Bloomberg Natural Gas	Aluminum	JJU	iPath Series B Bloomberg Aluminum Subindex Total Return ETN
Carbon Strategy	KRBN	KraneShares Global Carbon Strategy ETF	Nickel	JJN	iPath Series B Bloomberg Nickel Subindex Total Return ETN
Uranium (Company)	URA	Global X Uranium ETF	Rare Earth	REMX	VanEck Rare Earth/Strategic Metals ETF
			Agriculture		
			Agriculture	DBA	Invesco DB Agriculture Fund
			Soybean	SOYB	Teucrium Soybean Fund
			Wheat	WEAT	Teucrium Wheat Fund
			Corn	CORN	Teucrium Corn Fund

Source: KGI Research

Foreign exchange & cryptocurrency

Foreign exchange			Cryptocurrency		
US Dollar	UUP	Invesco DB US Dollar Index Bullish Fund	Bitcoin	BITO	ProShares Bitcoin Strategy ETF
Short US Dollar	UDN	Invesco DB US Dollar Index Bearish Fund	Short Bitcoin	BITI	ProShares Short Bitcoin Strategy ETF
Euro Dollar	FXE	Invesco CurrencyShares Euro Trust			
Short Euro Dollar	EUO	ProShares UltraShort Euro			
Japanese Yen	FXJ	Invesco CurrencyShares Japanese Yen Trust			
2x Long Japanese Yen	YCL	ProShares Ultra Yen			
2x Short Japanese Yen	YCS	ProShares UltraShort Yen			
British Pound	FXB	Invesco CurrencyShares British Pound Sterling Trust			
Australian Dollar	FXA	Invesco CurrencyShares Australian Dollar Trust			
Canadian Dollar	FXC	Invesco CurrencyShares Canadian Dollar Trust			
Swiss Franc	FXF	Invesco CurrencyShares Swiss Franc Trust			
Chinese Yuan	CYB	WisdomTree Chinese Yuan Strategy Fund			
EM Currency	CEW	WisdomTree Emerging Currency Strategy Fund			

Source: KGI Research

Key US economic data

Indicators		Units	2020	2021	2022	2023	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
GDP	GDP QoQ SAAR	QoQ % SAAR						2.2			2.1			4.9				3.3
	GDP YoY	YoY %	(2.2)	5.8	1.9	2.5		1.7			2.4			2.9				3.1
Consumer prices	CPI	YoY %	1.2	4.7	8.0	4.1	6.0	5.0	4.9	4.0	3.0	3.2	3.7	3.7	3.2	3.1	3.4	3.1
	Core CPI	YoY %	1.7	3.6	6.2	4.8	5.5	5.6	5.5	5.3	4.8	4.7	4.3	4.1	4.0	4.0	3.9	3.9
	PCE price index	YoY %	1.1	4.2	6.5	3.7	5.2	4.4	4.4	4.0	3.2	3.3	3.3	3.4	2.9	2.6	2.6	
	Core PCE index	YoY %	1.3	3.6	5.2	4.1	4.8	4.8	4.8	4.7	4.3	4.2	3.7	3.6	3.4	3.2	2.9	
Labor market	Labor force participation rate	%	61.5	62.0	62.3	62.5	62.5	62.6	62.6	62.6	62.6	62.6	62.8	62.8	62.7	62.8	62.5	62.5
	Unemployment rate	%	8.1	5.4	3.6	3.6	3.6	3.5	3.4	3.7	3.6	3.5	3.8	3.8	3.8	3.7	3.7	3.7
	Non farm payrolls	'000	(9,274)	7,245	4,528	3,056	287	146	278	303	240	184	210	246	165	182	333	353
	Net Change In total employment in labor force	'000	(8,856)	6,135	4,528	3,056	149	523	138	(255)	297	205	291	50	(270)	586	(683)	(31)
	Challenger job cut announce	YoY %	15.8	(1.2)	(1.7)	2.1	410	319	176	287	25	(8)	267	58	9	(41)	(20)	(20)
	Opening/ hiring	x	1.07	1.57	1.74	1.60	1.62	1.61	1.69	1.54	1.54	1.53	1.62	1.58	1.52	1.61	1.61	
	Aug. hourly earnings	YoY %	5.4	5.0	4.9	4.3	4.7	4.6	4.7	4.6	4.7	4.7	4.5	4.5	4.3	4.3	4.3	4.5
Economic activity & business condition	Industrial production	YoY %	(7.2)	4.4	3.4	0.2	0.9	0.2	0.4	0.1	(0.4)	0.1	(0.1)	(0.3)	(1.0)	(0.4)	1.2	0.0
	Durable goods orders	YoY %	(4.6)	18.4	8.3	4.5	0.2	4.6	2.7	7.5	9.0	2.9	3.0	5.9	0.7	10.0	3.6	
	Core capital goods orders	YoY %	(8.3)	12.8	6.5	1.7	2.7	1.9	1.0	3.2	1.4	0.4	0.6	0.5	0.8	1.4	0.9	
	Total business inventory/ sales ratio	x	1.44	1.29	1.34	1.38	1.38	1.40	1.40	1.40	1.40	1.39	1.37	1.36	1.37	1.37	1.37	
	Manufacturing inventory/ sales ratio	x	1.62	1.49	1.47	1.48	1.49	1.48	1.50	1.49	1.48	1.47	1.46	1.46	1.48	1.48	1.48	
	Retail inventory/ sales ratio	x	1.34	1.15	1.24	1.30	1.28	1.30	1.29	1.30	1.30	1.30	1.30	1.30	1.30	1.31	1.31	
	ISM manufacturing index	Point	52.4	60.6	53.5	47.1	47.7	46.5	47.0	46.6	46.4	46.5	47.6	48.6	46.9	46.6	47.1	49.1
	ISM non-manufacturing index	Point	54.3	62.4	56.1	52.8	55.0	51.2	52.3	51.0	53.6	52.8	54.1	53.4	51.9	52.5	50.5	53.4
	ISM manufacturing index: new orders	Point	53.9	64.3	51.6	46.0	47.0	44.6	45.5	42.9	45.7	47.0	46.4	48.6	46.2	47.8	47.0	52.5
	Chicago Fed National activity index	Point	(0.46)	0.40	(0.02)	(0.15)	(0.29)	(0.50)	0.08	(0.16)	(0.43)	0.17	(0.21)	(0.03)	(0.68)	0.01	(0.15)	
	Conference board leading index	YoY %	(4.7)	7.1	0.4	(7.7)	(7.0)	(8.0)	(8.3)	(8.2)	(8.1)	(7.8)	(7.9)	(8.1)	(8.1)	(7.6)	(7.1)	(7.0)
	C&I Loans for large/medium - tightening lending standard	%	37.6	(15.1)	11.8	43.9			46.0				50.8			33.9		
C&I Loans for large/medium - stronger demand	%	(15.5)	(1.2)	12.4	(42.3)			(55.6)				(51.6)			(30.5)			(25.0)
Housing market	Building Permits	'000, SAAR	1,479	1,740	1,666	1,462	1,482	1,437	1,417	1,496	1,441	1,443	1,541	1,471	1,498	1,467	1,493	1,470
	Housing starts	'000, SAAR	1,397	1,606	1,551	1,422	1,436	1,380	1,348	1,583	1,418	1,451	1,305	1,356	1,376	1,512	1,562	1,331
	New home sales	'000, SAAR	833	769	637	668	625	640	679	710	683	728	654	698	676	615	664	
	Existing home sales	mn, SAAR	5.6	6.1	5.1	4.1	4.6	4.4	4.3	4.3	4.2	4.1	4.0	4.0	3.8	3.8	3.8	
	NAHB housing market index	Point, SA	70	81	59	44	42	44	45	50	55	56	50	44	40	34	37	44
	S&P/Case-Shiller 20-city composite home price index	YoY %	10.3	18.6	4.8		0.6	(1.0)	(1.7)	(1.8)	(1.2)	0.1	2.2	4.0	4.9	5.5		
Consumption	Personal expenditures	YoY % SA	(2.5)	8.4	2.5	2.2	2.3	1.7	1.6	1.8	2.1	2.5	2.0	2.1	1.9	2.7	3.2	
	Retail sales	YoY %	0.9	18.2	9.7	3.4	5.3	2.2	1.3	2.1	1.5	2.8	2.8	4.0	2.2	3.6	5.3	0.6
	Retail sales ex-autos	YoY %	1.7	17.2	11.3	3.1	6.4	2.5	1.6	1.4	0.5	1.7	2.4	3.4	2.0	3.1	4.4	1.2
	Domestic vehicles sales	mn, SA	173.0	179.2	164.8	185.2	14.9	14.8	15.9	15.1	15.7	15.7	15.0	15.7	15.5	15.3	15.8	15.0
	Conference board consumer confidence	Point	101.0	112.7	104.5	105.4	103.4	104.0	103.7	102.5	110.1	114.0	108.7	104.3	99.1	101.0	108.0	114.8
	Michigan Consumer Sentiment Index	Point	81.5	77.6	59.0	65.4	66.9	62.0	63.7	59.0	64.2	71.5	69.4	67.9	63.8	61.3	69.7	79.0
Fiscal	Budget balance	As % of GDP	(15.2)	(10.5)	(5.4)	(6.5)	(6.1)	(6.7)	(7.2)	(7.8)	(8.3)	(8.4)	(5.6)	(6.3)	(5.2)	(6.3)	(6.5)	(6.3)
	Current account balance	As % of GDP	(2.8)	(3.5)	(3.8)		(3.4)				(3.2)			(3.1)				
Int'l balance	Net foreign securities transactions	US \$bn	505	907	1,321	1,029	151.0	174.3	103.1	17.6	192.0	14.2	92.6	17.4	(24.1)	99.7	160.2	
	Federal funds rate	%	0.25	0.25	4.50	5.50	4.75	5.00	5.00	5.25	5.25	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Monetary & financial	10-Year treasury yield	%	0.91	1.51	3.87	3.88	3.92	3.47	3.42	3.64	3.84	3.96	4.11	4.57	4.93	4.33	3.88	3.91
	Dollar index	Point	89.9	95.7	103.5	101.3	104.9	102.5	101.7	104.3	102.9	101.9	103.6	106.2	106.7	103.5	101.3	103.3

Source: Bloomberg; KGI Research

Key Taiwan economic data

Indicators	Units	2020	2021	2022	2023	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	
GDP	GDP YoY	YoY %	3.4	6.6	2.6	1.4		(3.5)		1.4			2.3				5.1	
Consumer prices	CPI	YoY %	(0.2)	2.0	3.0	2.5	2.4	2.4	2.4	2.0	1.8	1.9	2.5	2.9	3.0	2.9	2.7	1.8
	Core CPI	YoY %	0.7	1.9	2.7	2.4	2.6	2.6	2.7	2.6	2.6	2.7	2.6	2.5	2.5	2.4	2.4	1.6
Labor market	Unemployment rate	%	3.7	3.7	3.6	3.4	3.6	3.6	3.6	3.5	3.5	3.4	3.4	3.4	3.4	3.4	3.4	
Economic activity	Industrial production	YoY %	8.8	14.7	(1.7)	(12.4)	(10.0)	(16.0)	(22.6)	(15.7)	(17.3)	(15.5)	(10.8)	(6.9)	(2.3)	(2.1)	(4.0)	
	Markit Taiwan manufacturing PMI	Point			47.7	46.3	49.0	48.6	47.1	44.3	44.8	44.1	44.3	46.4	47.6	48.3	47.1	48.8
	NDC monitoring light signal						Blue	Blue	Blue	Blue	Blue	Blue	Blue	Yellow-blue	Blue	Yellow-blue	Yellow-blue	
	NDC monitoring indicators	Point	24.3	39.0	24.2	14.3	10.0	11.0	11.0	12.0	13.0	15.0	15.0	17.0	16.0	20.0	20.0	
	NDC composite leading index	YoY %	(0.5)	4.6	(2.8)	(1.0)	(5.4)	(5.1)	(4.7)	(4.3)	(3.9)	(3.5)	(3.3)	(3.2)	(3.2)	(3.3)	(3.3)	(3.5)
	NDC composite coincident index	YoY %	(0.7)	7.1	(1.1)	(6.1)	(14.2)	(14.5)	(14.0)	(13.1)	(11.6)	(9.8)	(7.7)	(5.4)	(3.2)	(1.0)	1.0	
Consumption	Retail sales	YoY %	0.2	3.3	7.4	6.9	4.6	7.6	7.5	17.1	13.9	5.3	4.3	6.9	5.1	7.2	1.1	
Trade	Exports	US\$bn	345.2	446.6	479.7	432.6	31.1	35.2	36.0	36.1	32.3	38.7	37.4	38.8	38.1	37.5	39.9	37.2
	Imports	US\$bn	285.8	381.3	428.1	352.1	28.7	31.0	29.3	31.3	26.4	30.3	28.8	28.5	32.3	27.7	28.8	34.7
	Trade balance	US\$bn	59.4	65.3	51.6	80.5	2.4	4.2	6.7	4.9	6.0	8.5	8.6	10.3	5.8	9.8	11.1	2.5
	Export growth	YoY %	4.9	29.4	7.4	(9.8)	(17.1)	(19.1)	(13.3)	(14.1)	(23.4)	(10.4)	(7.3)	3.4	(4.5)	3.7	11.8	18.1
	Import growth	YoY %	0.1	33.4	12.3	(17.8)	(9.5)	(20.1)	(20.3)	(21.8)	(30.1)	(21.0)	(23.0)	(12.2)	(12.4)	(15.0)	(6.5)	19.0
	Export orders	US\$bn	533.7	674.1	666.8	561.0	42.1	46.6	42.5	45.7	44.2	47.7	46.0	51.4	52.9	50.6	43.8	
	Export order growth	YoY %	10.1	26.3	(1.1)	(15.9)	(18.3)	(25.7)	(18.1)	(17.6)	(24.9)	(12.0)	(15.7)	(15.6)	(4.6)	1.0	(16.0)	
Monetary & financial	M1B	YoY %	16.2	12.8	4.1	3.1	2.0	2.0	2.7	3.3	2.4	3.7	2.9	2.8	3.3	3.0	3.1	
	M2	YoY %	8.5	8.0	7.1	5.3	6.8	6.6	6.7	6.6	5.9	6.9	6.5	6.0	5.7	5.3	5.3	
	Foreign reserves	US\$bn	529.9	548.4	554.9	570.6	558.4	560.3	561.1	562.9	564.8	566.5	565.5	564.0	561.1	567.5	570.6	569.5
	Rediscount rate	%	1.1	1.1	1.8	1.9	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
	Exchange rate	USD/TWD	28.3	27.7	30.7	30.7	30.5	30.5	30.7	30.8	31.1	31.4	31.9	32.3	32.4	31.3	30.7	31.3

Source: Bloomberg; KGI Research

All the above named KGI analyst(s) is SFC licensed person accredited to KGI Asia Ltd to carry on the relevant regulated activities. Each of them and/or his/her associate(s) does not have any financial interest in the respectively covered stock, issuer and/or new listing applicant.

Disclaimer

Some of KGI Asia Ltd. equity research and earnings estimates are available electronically on KGIEWORLD.COM. Please contact your KGI representative for information. The information and opinions in this report are those of KGI Asia Ltd. internal research activity. KGI Asia Ltd. does not make any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information and opinions contained in this report. The information and opinions contained in this report are subject to change without any notice. No person accepts any liability whatsoever for any loss however arising from any use of this report or its contents. This report is not to be construed as an invitation or offer to buy or sell securities and/or to participate in any investment activity. This report is being supplied solely for informational purposes and may not be reproduced or published (in whole or in part) for any purpose without the prior written consent of KGI Asia Ltd.. Members of the KGI group and their affiliates may provide services to any companies and affiliates of such companies mentioned herein. Members of the KGI group, their affiliates and their directors, officers and employees may from time to time have a position in any securities mentioned herein.