

Stock markets to consolidate in 1H24F; bonds to outperform stocks

Mid-cap stocks to be best investments amid moderate economic downturn

Key message

- US excess savings almost depleted, consumption cooldown should be subdued, but a decline to the pre-pandemic trajectory seems unlikely.
- Stock markets are more volatile during the three months after a first rate cut, often followed by resumption to an uptrend; defensive stocks tend to be the most stable six months before and after rate cuts.
- Bonds to outperform stocks in 1H24; medium cap stocks will make good investment targets as the economy loses steam.

Growth stocks took the lead in 2023

As we look back on global stock market performance in 2023, as measured in US dollar terms, the Taiex clearly stood out by closing up 27%. Right behind it were Japanese and US stocks, while Chinese A-shares trailed at the bottom of the pack (Figure 1). As far as US stock markets are concerned, tech-related sectors, including tech, communication service and consumer discretionary, concluded the year with over 40% gains, thanks to the AI trend and expectations for monetary easing. Large-cap growth stocks outperformed all other types of stocks. Defensive stocks, such as utilities, consumer staples and healthcare, were among the worst performers, as the US economy performed better than expected. Energy stocks also languished in 2023.

US excess savings almost depleted; consumption cooldown to be subdued; unlikely that decline will reach pre-pandemic trajectory

US consumption was stronger than expected in 2023, but we think it began to lose steam in 4Q23, primarily because the excess savings that US households had accumulated, an important driver for consumption, will likely run out by mid-2024F (Figure 2). Also, we expect nominal wages will decline as inflation eases off. Without the support of excess savings and continued wage growth, the same pattern of robust consumption would not be sustainable.

That said, we do not expect the consumption decline to be steep in that (1) inventories of a variety of retail goods are still high, indicating moderate destocking in the market and resilient demand at the same time; and (2) the occupancy rate of retail properties has remained elevated, which speaks volumes about the resilience of the retail industry (Figure 3). In other words, while a contraction in consumption seems inevitable, chances are the de cline won't be fast-paced. Some argue that consumption will eventually return to the pre-pandemic trajectory, but we disgree, as the COVID-19 pandemic's alternations on the preferences and behavior of many consumers have persisted. As a consequence, we won't be surprised if the slope of the consumption trajectory steepens structurally.

Stock markets are more volatile three months after the first cut in a rate cut cycle, often followed by a bull market; defensive stocks tend to be most stable six months before and after rate cuts; situation will be different this time, as there is a different rationale behind the upcoming rate cuts

Now that a pivot to rate cuts is on the horizon, it makes sense to discuss the performance of US stock markets and individual sectors before and after rate cuts (Figures 4 and 5). Historically, most sectors tend to do well six months before a first rate cut. This is because there are still no signs of an economic recession. Up to three months before the first rate cut, most sectors will still provide positive returns, but the returns may be lower. Expectations for rate cuts will provide some stimulus, especially to the tech, financials, consumer discretionary, industrials, communication services, energy and real estate sectors, which offer higher returns one month before a rate cut, after two months of declines. When rate cuts begin, most sectors are usually feeling the sting of an economic decline, and thus they often fare poorly in the first three months, including tech, financials, consumer discretionary, industrials, energy, real estate and materials. It takes at least six months for these sectors to regain strength or claw back some lost grounds after the first rate cut.



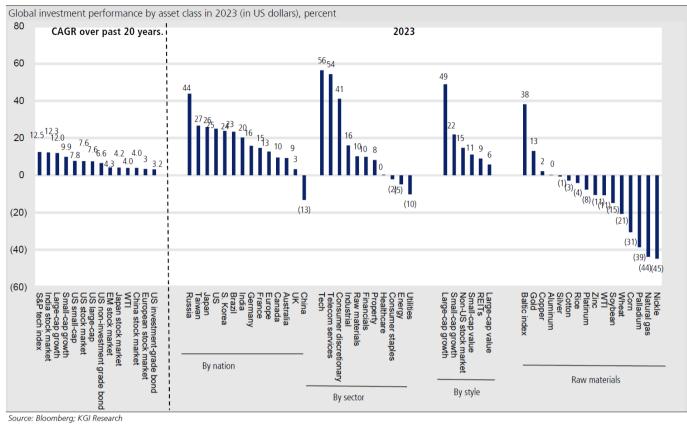
We conclude that defensive plays are very effective in weathering economic downturns, the underlying reason for interest rate cuts, as illustrated by the fact that healthcare, consumer staples and utilities shares all generate positive returns in the six-month period before and after a first rate cut. In other words, the defensive characteristics of such stocks protect their value amid an economic downturn, as they perform exceptionally well from the time a rate cut signal is released until after rate cuts, when the economy is indeed in a downtrend. Nonetheless, investors need to be watchful, as rate cuts this time around could lead to a very different outcome. This is because past rate cuts were by and large prompted by deteriorating economic conditions, as shown in our statistics, while this time the Fed and market participants both believe an economic soft landing is likely, and the reason for rate cuts is that inflation is under control. As such, it is debatable whether the historical performance of defensive stocks can be accurately used as a reference.

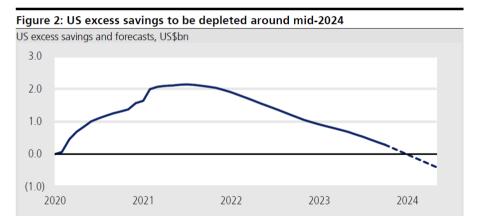
Conclusion – We predict bonds will outperform stocks in 1H24; mid-caps a good choice amid economic downtrend

Stocks have outperformed 10-year global government bonds worldwide since early 2023, with the gap increasingly wider from mid-year. Besides a significant rise in the 10-year Treasury yield mid-year, the key factor has been a strong rally of large-cap techs with high index weightings (Figure 6). However, surges with such highly-concentrated gains are not good for the market. In the past, when the top 10% of shares by market cap accounted for 70% of total market cap, stock markets have often dropped afterwards (Figure 7). While at such times, investors often believe a catch-up rally is plausible, the reality is that such a rally does not always materialize. As such, we expect bonds are more likely to outperform stocks in 1H24F, especially as the stock market will be volatile. Should an economic downtum occur, we recommend a new investment target, mid-caps (ETF : IJH). Our rationale is that when an economic downturn transpires, they will outperform large-cap stocks slightly, and outperform small-caps significantly.



Figure 1: Large growth plays led the pack in 2023





Note: Assuming 4% nominal wage growth and 8.3% savings rate

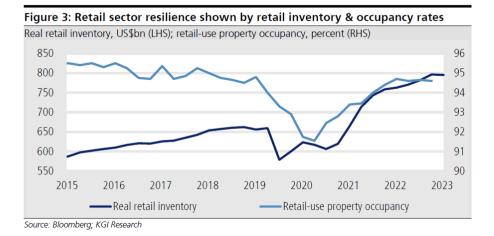
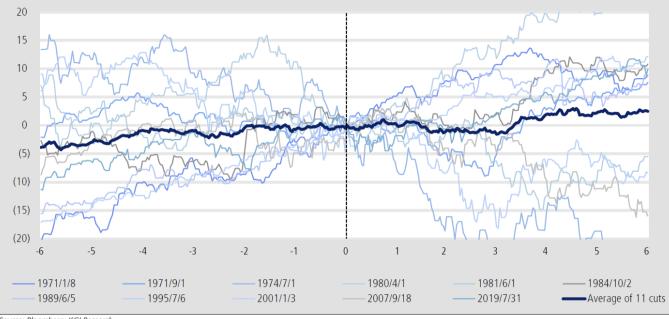




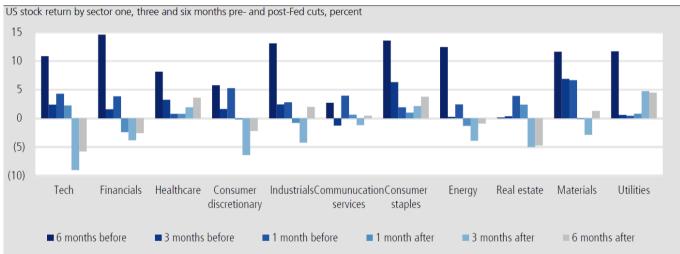
Figure 4: Stock market volatility within three months pre- and post-rate cuts, but up again three months after rate cuts

Six-month S&P 500 trend pre- and post-Fed cuts (rate cut date = 0), percent



Source: Bloomberg; KGI Research

Figure 5: Defensives most solid pre- and post-rate cuts



Source: Bloomberg; KGI Research

Figure 6: Global stock market outperforming bond market since mid-2023 on large-cap techs with high index weightings

Global stock and bond (7-10 year bonds) relative return; stock index: market cap weighted index and equal-weighting index, percent

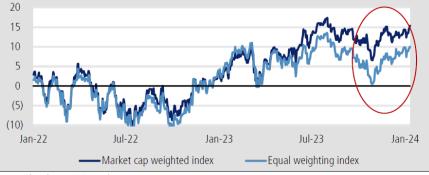




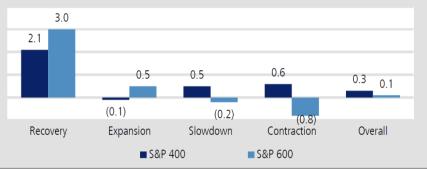
Figure 7: Individual firms with heavy stock market weightings often fall, as a catch-up rally does not happen easily

Upper level – US top 10% stocks by market cap as a share of total market cap, percent Bottom level – S&P 500, points



Source: Refinitiv; KGI Research

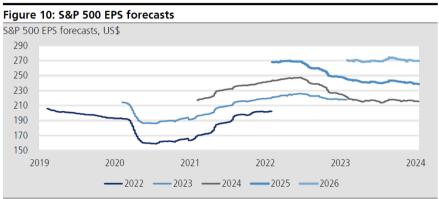
Figure 8: Mid-caps outperform large-caps and small-caps in economic slowdown Mid-cap and small-cap return relative to large-cap return, percent





igure 9: l	igure 9: Major international political & economic events over next quarter											
Date	Major event	Possible effect										
January 23	US Democratic Party presidential primaries	Biden is still the first choice of the Democratic presidential candidate, but whether there will be concerns about age and other factors that will lead to the subsequent selection of a new candidate is the focus of observation throughout the primary election										
January 25	ECB monetary policy meeting	There will have been no interest rate cut, but the meeting will give enough guidance on future rate cuts										
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										

Source: KGI Research

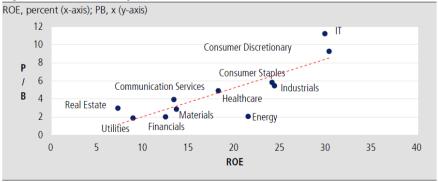


Source: Refinitiv; KGI Research

	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	2022	2023	2024
S&P 500	7.5	4.4	7.0	11.1	8.2	18.1	4.8	2.9	11.0
Consumer Discretionary	42.7	22.3	15.1	6.2	5.1	26.7	(9.0)	43.3	11.4
Consumer Staples	6.9	1.8	2.5	5.1	6.6	8.5	0.1	3.7	5.9
Energy	(33.0)	(26.5)	(18.3)	13.6	(2.9)	7.7	152.3	(26.2)	(1.2)
Financials	23.5	5.3	4.8	7.1	0.2	17.4	(13.2)	11.3	7.1
Health Care	(17.3)	(19.0)	0.5	24.8	19.1	29.3	10.8	(19.5)	17.6
Industrials	16.4	(1.2)	8.4	4.0	16.0	19.3	6.3	20.6	11.7
Materials	(18.0)	(21.5)	(12.2)	(1.2)	11.4	24.0	32.1	(22.5)	4.3
Real Estate	(5.4)	10.9	3.9	(1.5)	4.9	8.5	0.0	0.7	3.7
Information Technology	15.3	16.7	18.8	15.0	12.4	17.9	8.7	7.1	16.0
Communication Services	46.5	48.6	22.9	16.0	7.0	16.6	(22.1)	24.6	15.9
Utilities	10.3	49.1	22.0	8.0	5.8	8.1	2.0	6.1	8.2

Source: Refinitiv; KGI Research

Figure 12: S&P 500 PB by sector versus ROE





Appendix: ETF classified indices

wulli-asset					
Global Stock & Bond	AOR	iShares Core Growth Allocation ETF	Global Stock & Bond	AOM	iShares Core Moderate Allocation ETF
(Growth)			(Moderate)	AOIVI	
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
JS (S&P 500)	SPY	SPDR S&P 500 ETF Trust	Consumer Staples	XLP	Consumer Staples Select Sector SPDR Fund
hort S&P 500	SH	ProShares Short S&P500	Utilities	XLU	Utilities Select Sector SPDR Fund
x Short S&P 500	SPXU	ProShares UltraPro Short S&P500	Consumer Discretionary	XLY	Consumer Discretionary Select Sector SPDR Fund
JS (Dow Jones)	DIA	SPDR Dow Jones Industrial Average ETF Trust	Communication Services	XLC	Communication Services Select Sector SPDR Fund
x Short Dow Jones	SDOW	ProShares UltraPro Short Dow30	Materials	XLB	Materials Select Sector SPDR Fund
JS (Nasdag 100)	QQQ	Invesco QQQ Trust	Financial	XLF	Financial Select Sector SPDR Fund
		ProShares UltraPro QQQ	3x Short Financials	FAZ	Direxion Daily Financial Bear 3X Shares
x Long Nasdaq 100	TQQQ				Industrial Select Sector SPDR Fund
hort Nasdaq 100	PSQ	ProShares Short QQQ	Industrial	XLI	
x Short Nasdaq 100	SQQQ	ProShares UltraPro Short QQQ	Real Estate	XLRE	Real Estate Select Sector SPDR Fund
urozone	EZU	iShares MSCI Eurozone ETF	3x Long Real Estates	DRN	Direxion Daily Real Estate Bull 3x Shares
urope Hedge	HEDJ	WisdomTree Europe Hedged Equity Fund	Semiconductor	SMH	VanEck Semiconductor ETF
apan	EWJ	iShares MSCI Japan ETF	3x Long Semiconductor	SOXL	Direxion Daily Semiconductor Bull 3x Shares
Inited Kingdom	EWU	iShares MSCI United Kingdom ETF	Software	IGV	iShares Expanded Tech-Software Sector ETF
ermany	EWG	iShares MSCI Germany ETF	Retail	XRT	SPDR S&P Retail ETF
rance	EWQ	iShares MSCI France ETF	Online Retail	IBUY	Amplify Online Retail ETF
witzerland	EWL	iShares MSCI Switzerland ETF	Food & Beverage	PBJ	Invesco Dynamic Food & Beverage ETF
weden	EWD	iShares MSCI Sweden ETF	Bank	KBWB	Invesco KBW Bank ETF
M	EEM	iShares MSCI Emerging Markets ETF	Regional Bank	KRE	SPDR S&P Regional Banking ETF
sia 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
hina	FXI	iShares China Large-Cap ETF	Insurance	KIE	SPDR S&P Insurance ETF
IIIId	FAI	Istiales Chilla Large-Cap ETF		NIE	
hina CSI 300	ASHR	Xtrackers Harvest CSI 300 China A-Shares ETF	Global Upstream Natural	GUNR	FlexShares Morningstar Global Upstream Natural Resources
			Resources		Index Fund
8x Long China	YINN	Direxion Daily FTSE China Bull 3X Shares	Oil & Gas Exploration &	XOP	SPDR S&P Oil & Gas Exploration & Production ETF
0			Production		
x Short China	YANG	Direxion Daily FTSE China Bear 3X Shares	Oil Services	OIH	VanEck Oil Services ETF
hina companies listed on	PGJ	Invesco Golden Dragon China ETF	Natural Gas Company	FCG	First Trust Natural Gas ETF
IS					
long 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		Yuanta/P-shares Taiwan Top 50 ETF	Infrastructure	PAVE	Global X US Infrastructure Development ETF
diwdii	0050.TW	Tuania/P-shales Talwan Tup SU ETF	Development	PAVE	Global X OS Infrastructure Development ETF
ndia	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
			Biotech	XBI	SPDR S&P Biotech ETF
Style			Medical Devices	IHI	iShares U.S. Medical Devices ETF
JS Growth	IVW	iShares S&P 500 Growth ETF	Homebuilder	XHB	SPDR S&P Homebuilders ETF
Small (Russell 2000)	IWM	iShares Russell 2000 ETF	Global Energy	IXC	iShares Global Energy ETF
Silidii (Russell 2000)		ISHAIES RUSSEII 2000 ETF	Global Metals & Mining	INC	ISTIALES GIODAL ETTELY ETT
3x Long Small	TNA	Direxion Daily Small Cap Bull 3X Shares	Producers	PICK	iShares MSCI Global Metals & Mining Producers ETF
That Duran II 2000	DIAMA	DesCharge Chart Burger 112000		ICE	iChanas Clabal Infrastructure ETE
Shot Russell 2000	RWM	ProShares Short Russell2000	Global Infrastructure	IGF	iShares Global Infrastructure ETF
arge Growth	SPYG	SPDR Portfolio S&P 500 Growth ETF	Europe Financials	EUFN	iShares MSCI Europe Financials ETF
arge Value	SPYV	SPDR Portfolio S&P 500 Value ETF	China Technology	CQQQ	Invesco China Technology ETF
Small Growth	SLYG	SPDR S&P 600 Small Cap Growth ETF	China Internet	KWEB	KraneShares CSI China Internet ETF
Small Value	SLYV	SPDR S&P 600 Small Cap Value ETF	Theme		
S&P high beta(proxy	CDUD	Invesse S&R E00 Iligh Rate FTF		FCCU	isharas ESC Awara MSCLUSA ETE
Cyclicals)	SPHB	Invesco S&P 500 High Beta ETF	ESG	ESGU	iShares ESG Aware MSCI USA ETF
JS High Dividend	SCHD	Schwab US Dividend Equity ETF	EM ESG	ESGE	iShares ESG Aware MSCI EM ETF
Global High Dividend	IDV	iShares International Select Dividend ETF	Energy Storage	00902.TW	CTBC Battery & Energy Storage Technology ETF
Capital Strength	FTCS	First Trust Capital Strength ETF	Clean Energy	ICLN	iShares Global Clean Energy ETF
JS RAFI Small-Mid	PRFZ	Invesco FTSE RAFI US 1500 Small-Mid ETF	Solar		Invesco Solar ETF
US IVAFI SIIIdii-IVIIU	FNFL	IIIVESCO FISE NAFI US I SUU SIIIdII-IVIIU ETE		TAN	INVESCO SUIDI ETE
			Autonomous & Electric	DRIV	Global X Autonomous & Electric Vehicles ETF
			Vehicles		
			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 In
			Volatility		
			Long	UVXY	ProShares Ultra VIX Short-Term Futures ETF

Long 2x Long

Short

UVXY UVIX

SVIX

ProShares Ultra VIX Short-Term Futures ETF 2x Long VIX Futures ETF -1x Short VIX Futures ETF



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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
			US Short-term IG	VCSH	Vanguard Short-Term Corporate Bond ETF
Treasury			US Mid-term IG	VCIT	Vanguard Intermediate-Term Corporate Bond ETF
US Treasury	GOVT	iShares U.S. Treasury Bond ETF	US Long-term IG	VCLT	Vanguard Long-Term Corporate Bond ETF
US Short-term (1-3M)	BIL	SPDR Bloomberg 1-3 Month T-Bill ETF	US AAA-A Corporate Bond	00751B.TW	Yuanta US 20+ Year AAA-A Corporate Bond ETF
US Short-term (1-3Y)	SHY	iShares 1-3 Year Treasury Bond ETF	High Yield		
US Mid-term (3-7Y)	IEI	iShares 3-7 Year Treasury Bond ETF	US HY	HYG	iShares iBoxx \$ High Yield Corporate Bond ETF
US Mid-term (7-10Y)	IEF	iShares 7-10 Year Treasury Bond ETF	US Short-term HY	SJNK	SPDR Bloomberg Short Term High Yield Bond ETF
US Long-term (10-20Y)	TLH	iShares 10-20 Year Treasury Bond ETF	Fallen Angel	ANGL	VanEck Fallen Angel High Yield Bond ETF
US Long-term (20+Y)	TLT	iShares 20+ Year Treasury 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	EMSovereign Debt	РСҮ	Invesco Emerging Markets Sovereign Debt ETE
Interest Rate Hedge	PFIX	Simplify Interest Rate Hedge ETF			
AMT-Free Municipal	PZA	Invesco National AMT-Free Municipal Bond ETF	Others		
			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 GLD SPDR Gold Shares Gold Dry Bulk Shipping BDRY Breakwave Dry Bulk Shipping ETF Silver SLV iShares Silver Trust 2x Long Silver AGQ **ProShares Ultra Silver** Energy Platinum **PPIT** abrdn Physical Platinum Shares ETF Crude Oil USO United States Oil Fund LP Palladium PALL abrdn Physical Palladium Shares ETF 2x Long Crude Oil Industrial Metal UCO ProShares Ultra Bloomberg Crude Oil DBB Invesco DB Base Metals Fund 2x Short Crude Oil SCO ProShares UltraShort Bloomberg Crude Oil Steel SEX VanEck Steel ETF Natural Gas UNG United States Natural Gas Fund LP Copper CPER United States Copper Index Fund iPath Series B Bloomberg Aluminum Subindex Total Return 2x Long Natural Gas BOIL Aluminum JJU ProShares Ultra Bloomberg Natural Gas ETN 2x Short Natural Gas KOLD ProShares UltraShort Bloomberg Natural Gas Nickel ΠN iPath Series B Bloomberg Nickel Subindex Total Return ETN Carbon Strategy KRBN KraneShares Global Carbon Strategy ETF Rare Earth REMX VanEck Rare Earth/Strategic Metals ETF Uranium (Company) URA Global X Uranium 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 Croptocurrency US Dollar UUP BITO Invesco DB US Dollar Index Bullish Fund Bitcoin ProShares Bitcoin Strategy ETF Short US Dollar UDN Invesco DB US Dollar Index Bearish Fund Short Bitcoin BITI ProShares Short Bitcoin Strategy ETF Furo Dollar FXF Invesco CurrencyShares Euro Trust Short Euro Dollar EUO ProShares UltraShort Euro Japanese Yen FXY Invesco Currencyshares Japanese Yen Trust 2x Long Japanese Yen YCL ProShares Ultra Yen 2x Short Japanese Yen YCS ProShares UltraShort Yen Invesco CurrencyShares British Pound Sterling British Pound FXB 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



Figure 13: Key US economic data

Indicators		Units	2020	2021	2022	2023	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-2
SDP	GDP QoQ SAAR	QoQ %, SAAR				Τ			2.2			2.1			4.9			
	GDP YoY	YoY %	(2.2)	5.8	1.9				1.7			2.4			2.9			
	CPI	YoY %	1.2	4.7	8.0	4.1	6.4	6.0	5.0	4.9	4.0	3.0	3.2	3.7	3.7	3.2	3.1	3.
Consumer prices	Core CPI	YoY %	1.7	3.6	6.2	4.8	5.6	5.5	5.6	5.5	5.3	4.8	4.7	4.3	4.1	4.0	4.0	3
consense prices	PCE price index	YoY %	1.1	4.2	6.5		5.5	5.2	4.4	4.4	4.0	3.2	3.3	3.3	3.4	2.9	2.6	
	Core PCE index	YoY %	1.3	3.6	5.2		4.9	4.8	4.8	4.8	4.7	4.3	4.2	3.7	3.6	3.4	3.2	
	Labor force participation rate	%	61.5	62.0	62.3	62.5	62.4	62.5	62.6	62.6	62.6	62.6	62.6	62.8	62.8	62.7	62.8	62.
	Unemployment rate	%	8.1	5.4	3.6	3.6	3.4	3.6	3.5	3.4	3.7	3.6	3.5	3.8	3.8	3.8	3.7	3
	Non farm payrolls	'000'	(9,289)	7,267	4,793	2,697	472	248	217	217	281	105	236	165	262	105	173	21
abor market	Net Change In total employment in labor force	'000'	(8,856)	6,135	4,793	2,697	852	149	523	138	(255)	297	205	291	50	(270)	586	(6)
	Challenger job cut announce	YoY %	15.8	(1.2)	(1.7)	2.1	440	410	319	176	287	25	(8)	267	58	9	(41)	(2
	Opening/ hiring	x	1.07	1.57	1.74		1.67	1.62	1.61	1.69	1.54	1.54	1.53	1.62	1.58	1.52	1.61	
	Avg. hourly earnings	YoY %	5.5	5.0	4.8	4.1	4.4	4.7	4.3	4.4	4.3	4.4	4.3	4.3	4.2	4.1	4.0	4
	Industrial production	YoY %	(7.2)	4.4	3.4		1.5	0.9	0.2	0.4	0.1	(0.4)	0.1	(0.0)	(0.2)	(1.0)	(0.4)	
	Durable goods orders	YoY %	(4.6)	18.4	8.3		2.3	0.2	4.6	2.7	7.5	9.0	2.9	3.0	5.9	0.7	10.0	
	Core capital goods orders	YoY %	(8.3)	12.8	6.5		5.6	2.7	1.9	1.0	3.2	1.4	0.4	0.6	0.5	0.8	1.5	
	Total business inventory/ sales ratio	x	1.44	1.29	1.34		1.37	1.38	1.40	1.40	1.40	1.40	1.39	1.37	1.36	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	
conomic activity 9	Retail inventory/ sales ratio	x	1.34	1.15	1.24		1.27	1.28	1.30	1.29	1.30	1.30	1.30	1.30	1.30	1.30		
· · · · ·	ISM manufacturing index	Point	52.4	60.7	53.5	47.1	47.4	47.7	46.3	47.1	46.9	46.0	46.4	47.6	49.0	46.7	46.7	4
Economic activity & business condition	ISM non-manufacturing index	Point	54.3	62.4	56.1	52.8	55.2	55.1	51.2	51.9	50.3	53.9	52.7	54.5	53.6	51.8	52.7	50
	ISM manufacturing index: new orders	Point	53.9	64.3	51.6	46.0	42.5	47.0	44.3	45.7	42.6	45.6	47.3	46.8	49.2	45.5	48.3	4
	Chicago Fed National activity Index	Point	(0.46)	0.40	(0.02)		0.40	(0.29)	(0.50)	0.08	(0.17)	(0.43)	0.17	(0.14)	0.02	(0.66)	0.03	
	Conference board leading index	YoY %	(4.6)	6.6	0.9		(6.0)	(6.8)	(7.9)	(8.1)	(7.9)	(7.9)	(7.6)	(7.7)	(7.9)	(8.0)	(7.6)	
	C&I Loans for large/medium - tightening lending standard	%	37.6	(15.1)	11.8	43.9	44.8			46.0			50.8			33.9		
	C&I Loans for large/medium - stronger demand	%	(15.5)	(1.2)	12.4	(42.3)	(31.3)			(55.6)			(51.6)			(30.5)		
	Building Permits	'000, SAAR	1,479	1,740	1,666		1,354	1,482	1,437	1,417	1,496	1,441	1,443	1,541	1,471	1,498	1,467	
	Housing starts	'000, SAAR	1397	1,606	1,551		1,340	1,436	1,380	1,348	1,583	1,418	1,451	1,305	1,356	1,359	1,560	
lausing market	New home sales	'000, SAAR	833	769	637		649	625	640	679	710	683	728	654	700	672	590	
lousing market	Existing home sales	mn, SAAR	5.6	6.1	5.1		4.0	4.6	4.4	4.3	4.3	4.2	4.1	4.0	4.0	3.8	3.8	
	NAHB housing market index	Point, SA	70	81	59	44	35	42	44	45	50	55	56	50	44	40	34	
	S&P/Case-Shiller 20-city composite home price index	YoY %	10.3	18.6	4.8		2.8	0.6	(1.0)	(1.7)	(1.8)	(1.2)	0.1	2.2	4.0	4.9		
	Personal expenditures	YoY %, SA	(2.5)	8.4	2.5		2.3	2.3	1.7	1.6	1.8	2.1	2.5	2.0	2.1	2.0	2.7	
	Retail sales	YoY %	0.9	18.2	9.7		7.4	5.3	2.2	1.3	2.1	1.5	2.8	2.8	4.0	2.2	4.1	
	Retail sales ex-autos	YoY %	1.7	17.2	11.3		8.4	6.4	2.5	1.6	1.4	0.5	1.7	2.4	3.4	2.0	3.6	
Consumption	Domestic vehicles sales	mn, SA	173.0	179.2	164.8	185.2	15.7	14.9	14.8	15.9	15.1	15.7	15.7	15.0	15.7	15.5	15.3	15
	Conference board consumer confidence	Point	101.0	112.7	104.5	105.6	106.0	103.4	104.0	103.7	102.5	110.1	114.0	108.7	104.3	99.1	101.0	110
	Michigan Consumer Sentiment Index	Point	81.5	77.6	59.0	65.4	64.9	66.9	62.0	63.7	59.0	64.2	71.5	69.4	67.9	63.8	61.3	69
iscal	Budget balance	As % of GDP	(15.2)	(10.5)	(5.4)	(6.5)	(5.9)	(6.1)	(6.7)	(7.2)	(7.8)	(8.3)	(8.4)	(5.6)	(6.3)	(5.2)	(6.3)	((
	Current account balance	As % of GDP	(2.8)	(3.5)	(3.8)				(3.4)			(3.2)			(3.1)			
nt'i balance	Net foreign securities transactions	US \$bn	505	907	1,321		30.8	81.6	196.0	127.3	18.8	159.6	11.8	92.6	0.9	3.3		
	Federal funds rate	%	0.25	0.25	4.50	5.50	4.50	4.75	5.00	5.00	5.25	5.25	5.50	5.50	5.50	5.50	5.50	5.
/onetary & financial	10-Year treasury yield	%	0.91	1.51	3.87	3.88	3.51	3.92	3.47	3.42	3.64	3.84	3.96	4.11	4.57	4.93	4.33	3.
	Dollar index	Point	89.9	95.7	103.5	101.3	102.1	104.9	102.5	101.7	104.3	102.9	101.9	103.6	106.2	106.7	103.5	101

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Figure 14: Key Taiwan economic data

Indicators		Units	2020	2021	2022	2023	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
GDP	GDP YoY	YoY %	3.4	6.6	2.6				(3.5)			1.4			2.3			
Concurrent prices	CPI	YoY %	(0.2)	2.0	3.0	2.5	3.1	2.4	2.4	2.4	2.0	1.8	1.9	2.5	2.9	3.1	2.9	2.7
Consumer prices	Core CPI	YoY %	0.7	1.9	2.7	2.4	3.0	2.6	2.6	2.7	2.6	2.6	2.7	2.6	2.5	2.5	2.4	2.4
Labor market	Unemployment rate	%	3.7	3.7	3.6		3.6	3.6	3.6	3.6	3.5	3.5	3.4	3.4	3.4	3.4	3.4	
	Industrial production	YoY %	8.8	14.7	(1.7)		(23.6)	(10.0)	(16.0)	(22.6)	(15.7)	(17.3)	(15.5)	(10.8)	(6.9)	(2.3)	(2.5)	
	Markit Taiwan manufacturing PMI	Point		58.5	47.7	46.3	44.3	49.0	48.6	47.1	44.3	44.8	44.1	44.3	46.4	47.6	48.3	47.1
Economic activity	NDC monitoring light signal	YoY % 3.4 6.6 2.6 (3.5) 1.4 2 YoY % (0.2) 2.0 3.0 2.5 3.1 2.4 2.4 2.4 2.0 1.8 1.9 2.5 2 YoY % 0.7 1.9 2.7 2.4 3.0 2.6 2.6 2.7 2.6 2.7 2.6 2.7 2.6 </td <td>Yellow- blue</td> <td>Blue</td> <td>Yellow- blue</td> <td></td>	Yellow- blue	Blue	Yellow- blue													
GDP Consumer prices Labor market Economic activity Consumption Trade Monetary & financial	NDC monitoring indicators	Point	24.3	39.0	24.2		11.0	10.0	11.0	11.0	12.0	13.0	15.0	15.0	17.0	16.0	20.0	
	NDC composite leading index	YoY %	(0.5)	4.6	(2.8)		(5.8)	(5.3)	(4.9)	(4.5)	(4.1)	(3.6)	(3.3)	(3.2)	(3.4)	(3.9)	(4.6)	
	NDC composite coincident index	YoY %	(0.7)	7.1	(1.1)		(13.3)	(14.2)	(14.4)	(14.0)	(13.0)	(11.6)	(9.7)	(7.6)	(5.3)	(3.0)	(0.7)	
Consumption	Retail sales	YoY %	0.2	3.3	7.4		4.3	4.6	7.6	7.5	17.1	13.9	5.3	4.3	6.9	5.1	7.3	
	Exports	US\$bn	345.2	446.6	479.7	432.6	31.5	31.1	35.2	36.0	36.1	32.3	38.7	37.4	38.8	38.1	37.5	39.9
	Imports	US\$bn	285.8	381.3	428.1	352.1	29.2	28.7	31.0	29.3	31.3	26.4	30.3	28.8	28.5	32.3	27.7	28.8
	Trade balance	US\$bn	59.4	65.3	51.6	80.5	2.3	2.4	4.2	6.7	4.9	6.0	8.5	8.6	10.3	5.8	9.8	11.1
Trade	Export growth	YoY %	4.9	29.4	7.4	(9.8)	(21.2)	(17.1)	(19.1)	(13.3)	(14.1)	(23.4)	(10.4)	(7.3)	3.4	(4.5)	3.8	11.8
	Import growth	YoY %	0.1	33.4	12.3	(17.8)	(16.8)	(9.5)	(20.1)	(20.3)	(21.8)	(30.1)	(21.0)	(23.0)	(12.2)	(12.4)	2.9 2.4 3.4 (2.5) 48.3 Yellow- blue 20.0 (4.6) (0.7) 7.3 37.5 27.7 9.8	(6.5
	Export orders	US\$bn	533.7	674.1	666.8		47.5	42.1	46.6	42.5	45.7	44.2	47.7	46.0	51.4	52.9	50.6	
	Export order growth	YoY %	10.1	26.3	(1.1)		(19.3)	(18.3)	(25.7)	(18.1)	(17.6)	(24.9)	(12.0)	(15.7)	(15.6)	(4.6)	1.0	
	M1B	YoY %	16.2	12.8	4.1		2.7	2.0	2.0	2.7	3.3	2.4	3.7	2.9	2.8	3.3	3.0	
	M2	YoY %	8.5	8.0	7.1		6.7	6.8	6.6	6.7	6.6	5.9	6.9	6.5	6.0	5.7	5.3	
Monetary & financial	Foreign reserves	US\$bn	529.9	548.4	554.9	570.6	557.1	558.4	560.3	561.1	562.9	564.8	566.5	565.5	564.0	561.1	567.5	570.6
	Rediscount rate	%	1.1	1.1	1.8	1.9	1.8	1.8	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	30.0	30.5	30.5	30.7	30.8	31.1	31.4	31.9	32.3	32.4	31.3	30.7

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Source: Bloomberg; KGI Research

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