

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

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

Key message

1. US excess savings almost depleted, consumption cooldown should be subdued, but a decline to the pre-pandemic trajectory seems unlikely.
2. 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.
3. 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 decline won't be fast-paced. Some argue that consumption will eventually return to the pre-pandemic trajectory, but we disagree, 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

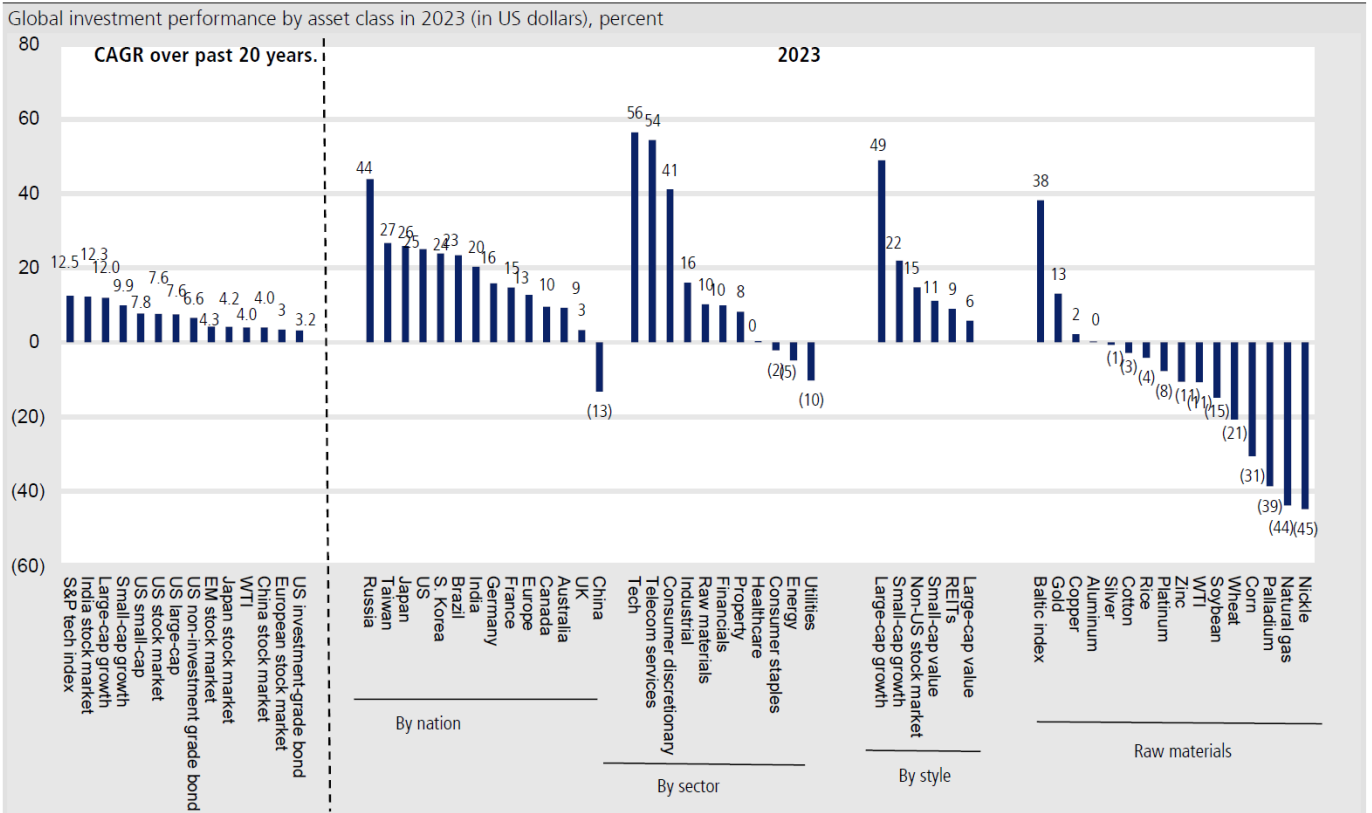
Now that a pivot to rate cuts is on the horizon, it makes sense to discuss the performance of US stock markets and individual sectors before and after rate cuts (Figures 4 and 5). Historically, most sectors tend to do well six months before a first rate cut. This is because there are still no signs of 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

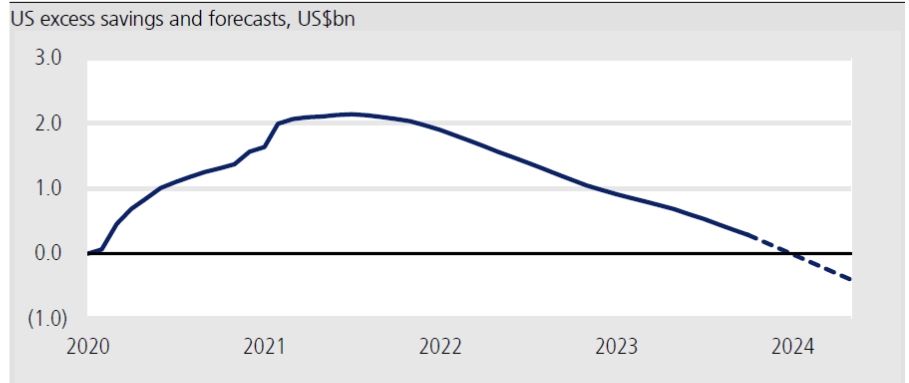
Stocks have outperformed 10-year global government bonds worldwide since early 2023, with the gap increasingly wider from mid-year. Besides a significant rise in the 10-year Treasury yield mid-year, the key factor has been a strong rally of large-cap techs with high index weightings (Figure 6). However, 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 downturn 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



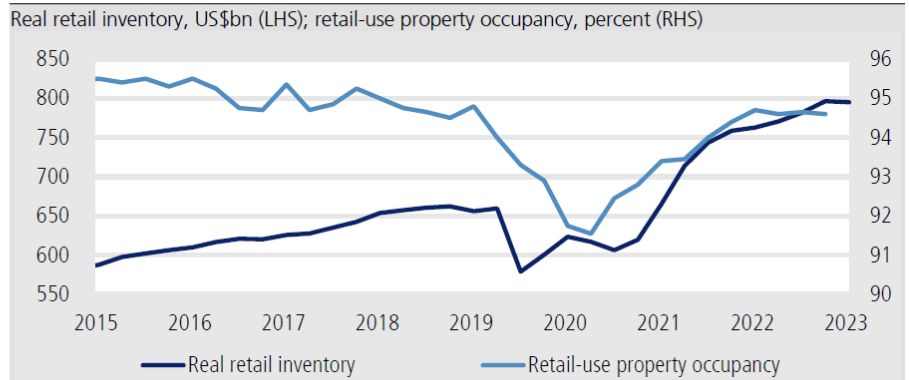
Source: Bloomberg; KGI Research

Figure 2: US excess savings to be depleted around mid-2024



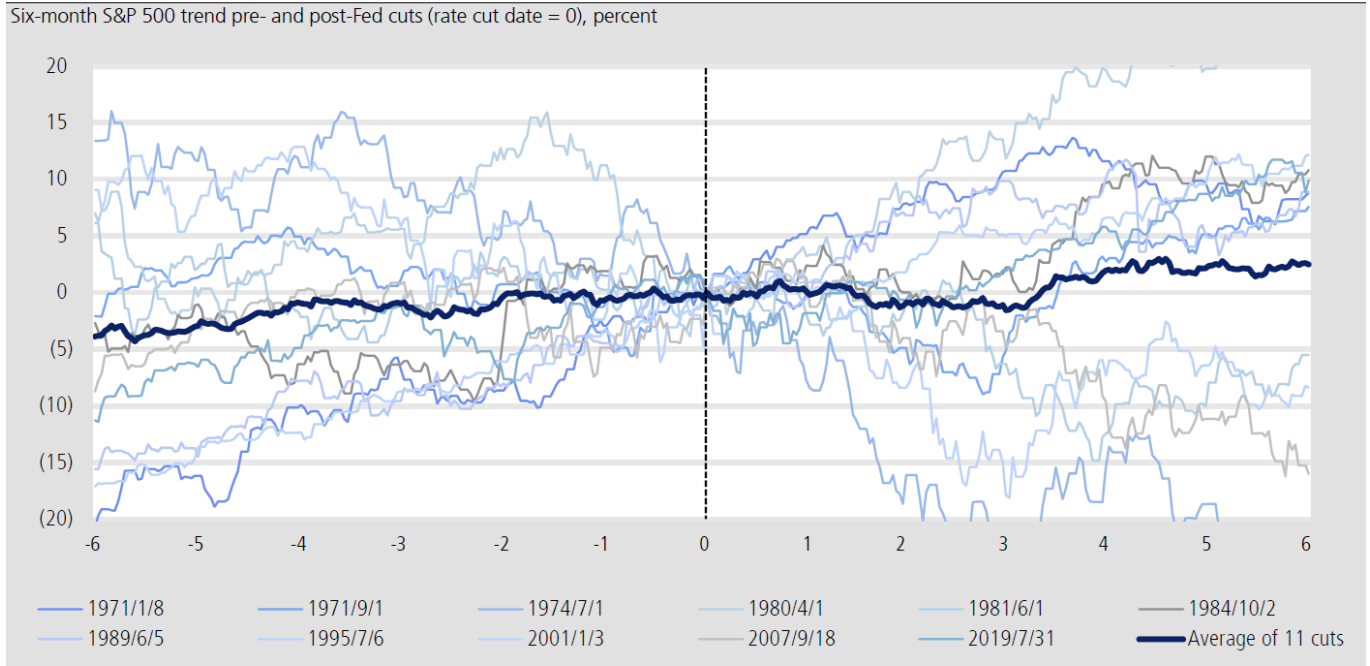
Note: Assuming 4% nominal wage growth and 8.3% savings rate
Source: Bloomberg; KGI Research

Figure 3: Retail sector resilience shown by retail inventory & occupancy rates



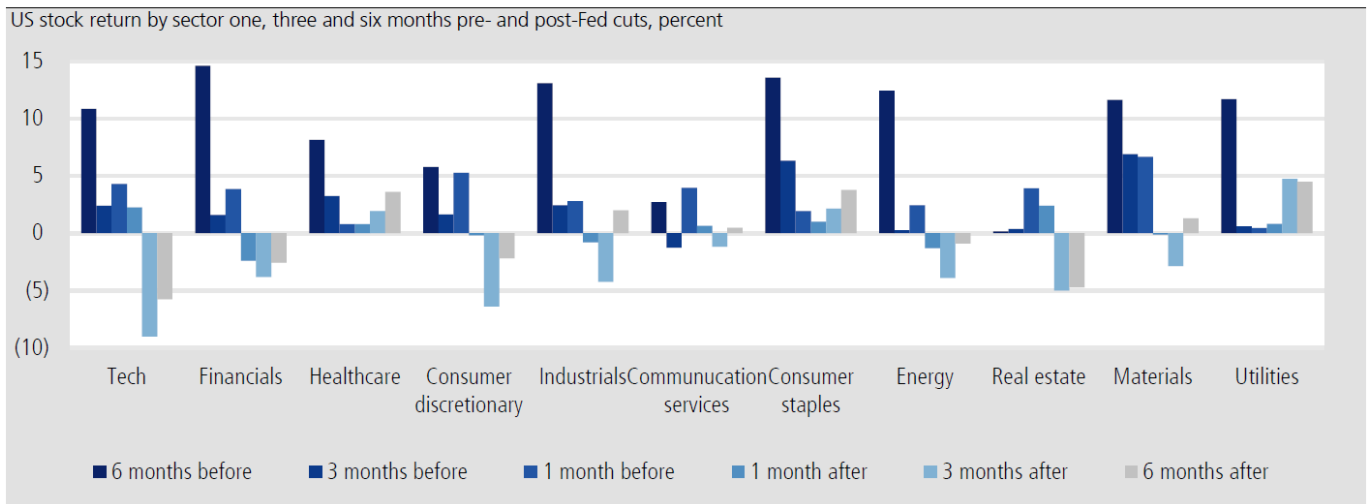
Source: Bloomberg; KGI Research

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



Source: Bloomberg; KGI Research

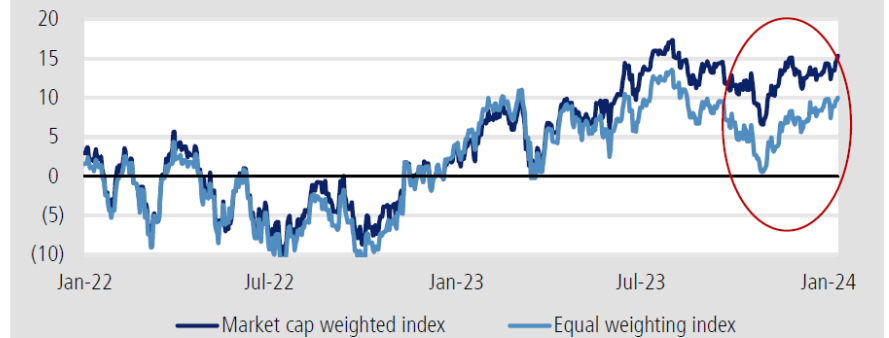
Figure 5: Defensives most solid pre- and post-rate cuts



Source: Bloomberg; KGI Research

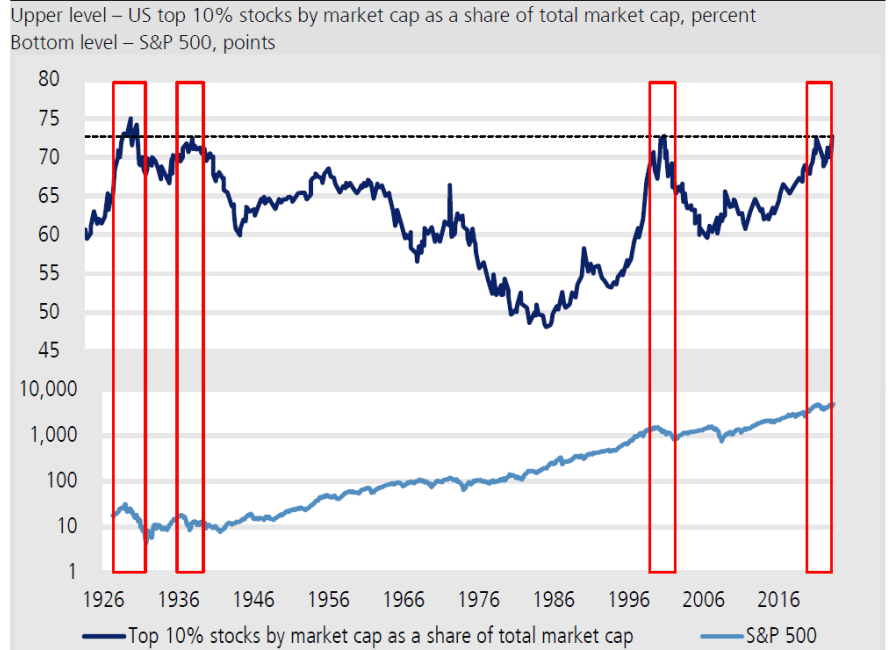
Figure 6: Global stock market outperforming bond market since mid-2023 on large-cap techs with high index weightings

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



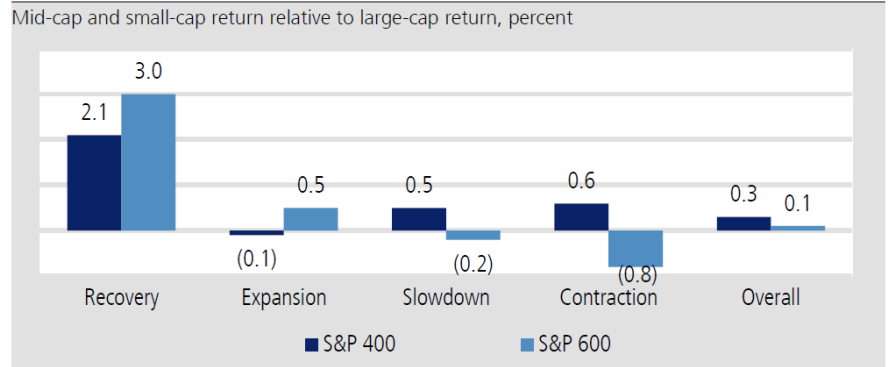
Source: Bloomberg; KGI Research

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



Source: Refinitiv; KGI Research

Figure 8: Mid-caps outperform large-caps and small-caps in economic slowdown

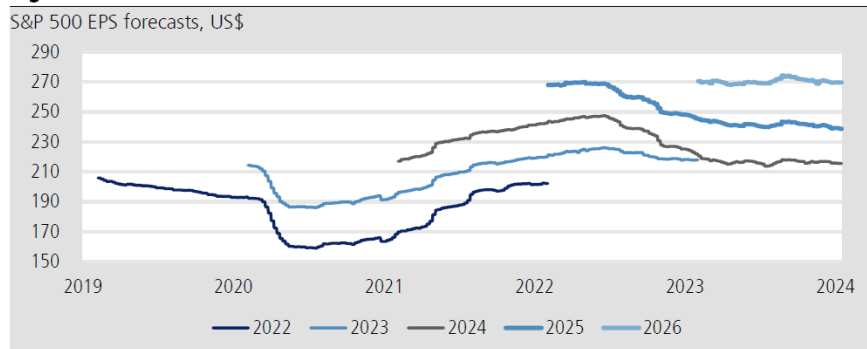


Source: Bloomberg; KGI Research

Figure 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

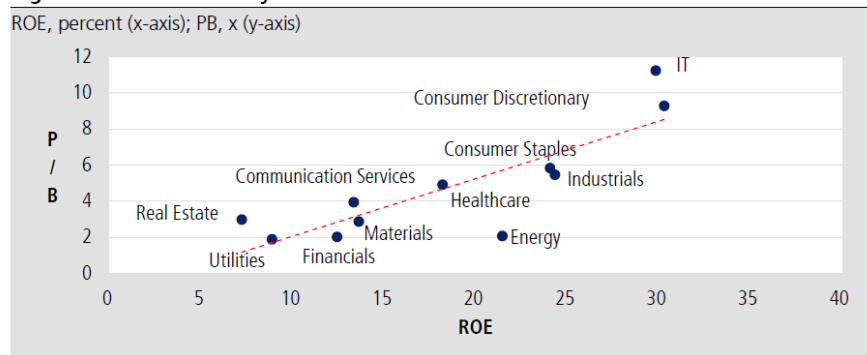
Figure 10: S&P 500 EPS forecasts


Source: Refinitiv; KGI Research

Figure 11: S&P 500 EPS growth forecasts by sector

	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


Source: Bloomberg; 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	PFIX	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		
			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

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-23	
GDP	GDP QoQ SAAR	QoQ % SAAR							2.2		2.1			4.9				
	GDP YoY	YoY %	(2.2)	5.8	1.9			1.7			2.4			2.9				
Consumer prices	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	3.4
	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	3.9
	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 market	Labor force participation rate	%	61.5	62.0	62.3	62.5	62.4	62.5	62.6	62.6	62.6	62.6	62.8	62.8	62.7	62.8	62.5	
	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	3.7
	Non farm payrolls	'000	(9,289)	7,267	4,793	2,697	472	248	217	217	281	105	236	165	262	105	173	216
	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	(683)
	Challenger job cut announce	YoY %	15.8	(1.2)	(1.7)	2.1	440	410	319	176	287	25	(8)	267	58	9	(41)	(20)
	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	4.1
Economic activity & business condition	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	
	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	47.4
	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	50.6
	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	47.1
	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)		
Housing market	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	1,397	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	
	New home sales	'000, SAAR	833	769	637		649	625	640	679	710	683	728	654	700	672	590	
	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	37
	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		
Consumption	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	
	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	15.8
	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	110.7
	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	69.7
Fiscal	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)	(6.5)
	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		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	
Monetary & 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	3.88
	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	101.3

Source: Bloomberg, KGI Research

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			
Consumer 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
	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	
Economic activity	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
	NDC monitoring light signal						Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Yellow-blue	Blue	Yellow-blue	
	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	
Trade	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
	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)	(14.8)	(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	
Monetary & financial	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	
	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

Source: Bloomberg; KGI Research

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