

5. Stock Markets

The TAIEX experienced fluctuations around a broad uptrend in 2021. Major downswings were recorded in May, July, August, September, and October, mainly affected by a domestic flare-up in COVID-19 infections, a day-trading tax policy indecision, China's property giant default crisis and government "dual control" energy policy, and US inflation and debt ceiling concerns. In the other months of the year, the TAIEX was bolstered by successful containment of domestic COVID-19 cases, record-breaking US stock bull runs, strong earnings of TWSE-listed companies, and robust export growth, and swung up from a low at the start of the year to an all-year and all-time high of 18,248 points on December 29. The TAIEX closed the year at 18,219 points, rising by 23.7% over the end of the previous year.

Most of the categories saw share price rises. Shipping and Transportation stocks posted the largest gains of 168.6%, led by three major shipping companies whose profits doubled as global freight indices and shipping prices stayed high. The second best performer was the Iron and Steel category with a rise of 46.9% buoyed by international steel price upswings. Trading and Consumers' Goods shares came in third with a 45.5% increase as consumers increased spending amid a boost from the government's stimulus voucher scheme and a boom in online shopping. Overall, the

Major Statistics of the TWSE Market

Year/Month	Stock Price Index (end of period)	Daily Average Trading Value (NT\$billion)	Turnover Rate (%)	Market Capitalization (NT\$billion)	Net Buying Positions (NT\$billion)		
					Foreign Investors Net Buy/Sell	Securities Investment Trust Companies Net Buy/Sell	Securities Dealers Net Buy/Sell
2019	11,997.1	109.4	80.4	36,413.5	244.2	11.3	52.5
2020	14,732.5	186.3	123.3	44,903.8	-539.5	42.7	-169.6
2021	18,218.8	378.2	176.6	56,282.0	-454.1	70.1	-96.4
2021/ 1	15,138.3	353.8	15.3	46,130.8	-113.1	7.4	-9.7
2	15,953.8	330.1	8.8	48,626.6	-80.1	4.4	-7.1
3	16,431.1	306.7	13.5	50,160.4	-150.9	16.7	-4.8
4	17,566.7	433.9	15.4	53,642.0	57.4	-6.3	8.5
5	17,068.4	507.7	20.5	52,150.2	-59.1	17.8	-28.5
6	17,755.5	470.1	18.2	54,314.2	-51.0	-4.9	29.1
7	17,247.4	549.3	22.9	52,893.6	-122.1	-18.9	-16.3
8	17,490.3	358.0	14.7	53,645.5	7.9	6.2	-13.4
9	16,934.8	289.5	11.1	52,052.8	5.7	9.7	-33.4
10	16,987.4	283.6	10.9	52,279.4	-57.4	17.4	-5.4
11	17,427.8	349.7	14.3	53,669.4	21.8	-0.1	-11.6
12	18,218.8	285.5	11.2	56,282.0	86.7	20.7	-3.7

Source: Securities and Futures Bureau, FSC.

daily average trading value on the TWSE reached a historical high of NT\$378.2 billion in 2021 while surging sharply by 103.0% over the previous year.

Regarding trends in over-the-counter trading of securities, the Taipei Exchange Capitalization Weighted Stock Index (TPEX) rose by 29.0% at the end of 2021, compared to a year ago. Almost all categories posted year-on-year increases, except for Tourism Industry shares with a 3.6% decline. Shipping and Transportation shares gave the best performance with a rally of 66.7%, closely followed by Chemical shares with a 66.0% rise. In 2021, the daily average trading value on the Taipei Exchange (TPEX) amounted to a historical high of NT\$83.1 billion, rising by 68.4% from the previous year.

The TWSE Market

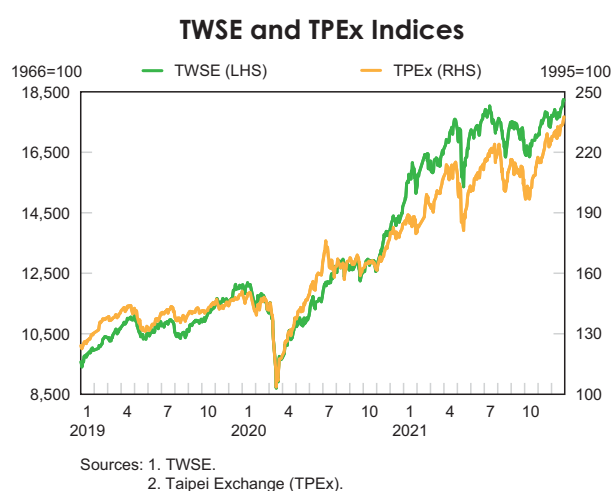
Listings and Capitalization Both Increased to Record Highs

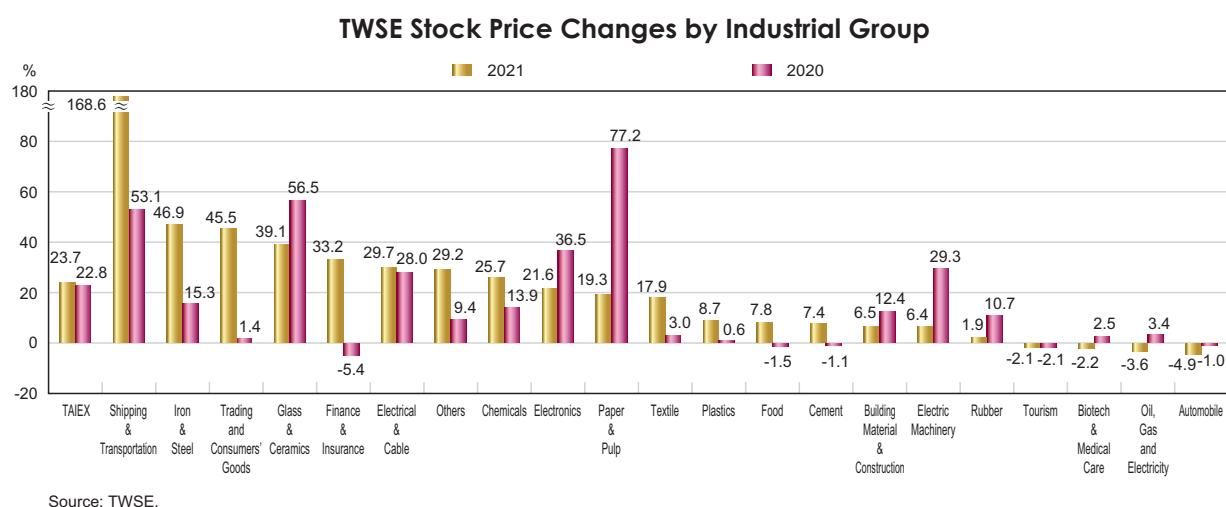
At the end of 2021, the number of TWSE listings increased by 11 over the previous year to a total of 959. The par value of total shares rose by 2.0% year on year to NT\$7.4 trillion, and total market capitalization soared by 25.3% to NT\$56.3 trillion. Meanwhile, the total number of Taiwan depositary receipts (TDRs) decreased to 11 with two delisting during the year.

TAIEX Reached Historical High in Broad Uptrend

In early 2021, the TAIEX swung upwards as the US stock indices climbed to repeated record highs, vaccination rates increased, TWSE-listed companies posted impressive earnings, and Taiwan's exports expanded strongly, which helped to send the TAIEX to 17,596 points on April 27. However, a surge in domestic COVID-19 infections and net stock selling by foreign investors caused the index to dive to 15,354 points on May 17. Given the support from strong growth in exports and corporate profits, the TAIEX quickly rebounded alongside a US market rally, hitting an intermediate peak at 18,034 on July 15.

Thereafter, the TAIEX faced downward pressures created by surging COVID-19 Delta variant cases, China's Evergrande default crisis and energy policy tightening, US inflation and debt ceiling problems, as well as a delayed decision to continue the day-trading tax incentive for the local stock markets, and swung lower towards an interim trough of 16,342 points on August 20 and another interim





trough of 16,348 points on October 13. However, bullish forces set in as the domestic coronavirus situation remained well under control, US technology stocks hit fresh record highs, Taiwan's statistical body upgraded the domestic GDP growth forecast, and foreign investors returned to the TWSE market with net buying, pushing the TAIEX towards an all-time high of 18,248 points on December 29. The index closed the year (on Dec. 30) at 18,219 points, up by 23.7% compared to 14,733 points at the end of 2020.

Broken down by subcategory, most industrial groups rose from the previous year, except for four categories, namely Automobile, Oil, Gas & Electricity, Biotechnology & Medical Care, and Tourism. Among the gaining groups, Shipping and Transportation increased the most by 168.6%, as the unresolved problems of port congestion and container shortage continued to buoy international freight indices and shipping prices, thereby helping the TWSE's top three shipping heavyweights to record significant growth in profits and witness share price surges. Iron and Steel stocks had the second biggest increase by 46.9%, buttressed by an international steel price upswing. Trading and Consumers' Goods rose by 45.5% as the stimulus voucher scheme and online shopping boom spurred domestic consumption. Glass and Ceramic shares posted an increase of 39.1% with glass prices climbing. Finance and Insurance shares were 33.2% higher than the previous year, benefiting first from domestic banks making handsome profits as the government's SME guarantee fund helped sustained a sound lending business operation amid the pandemic, and also from a net buying by foreign investors.

Among the declining categories, Automobile shares dropped the most by 4.9% because car chip shortages caused new car delays and sales slumps. Oil, Gas and Electricity shares fell by

3.6%, mainly dented by the plunge in Formosa Petrochemical Corporation, one of the category's heavyweight stocks, after foreign investor selloffs. Biotechnology and Medical Care was down by 2.2%, attributable to the weak performance in the NASDAQ Biotechnology Index. In addition, Tourism stocks dropped for a second consecutive year by 2.1% as the pandemic continued to weigh on the industry.

Market Turnover Increased Significantly

Underpinned by ample liquidity and active participation (demonstrated by record high numbers of wholesale and retail investors and new portfolio accounts opened), the TWSE daily average trading value amounted to a historical high of NT\$378.2 billion, increasing by 103.0% from the previous year's NT\$186.3 billion. The turnover rate also rose from 123.3% to a new record high of 176.6%.

Foreign Investors Net Sold

In 2021, foreign investors net sold TWSE stocks by an amount of NT\$454.1 billion. Meanwhile, local securities investment trust companies posted a net purchase of NT\$70.1 billion, whereas local securities dealers posted a net sale of NT\$96.4 billion.

In the first three months into 2021, international stock markets dipped and US government bond yields trended up, leading foreign investors to post monthly net sales of TWSE shares, followed by a net purchase in April on the back of huge capital inflows as US bond yields fell lower. In the months from May to July, foreign investors turned net sellers again owing to a domestic COVID-19 flare-up and profit-taking trades. They net bought financial stocks in August and September, citing robust earnings reports by banks. In October, investor fears of an earlier-than-expected rate hike by the Fed to counter rising inflation pulled foreign capital out of the TWSE. Thereafter, a US tech rally towards new highs prompted foreign investors to also increase holdings of Taiwan's electronics shares, thus posting net purchases in both November and December.

Local securities investment trust companies were net sellers in April, June, and July through November, during which they offloaded shares to secure gains in order to meet fund redemption demand, to boost their financial statements, or to adjust portfolios at higher price levels. In the other months, they posted net purchases.

Local securities dealers, with inclination for short swing trading, net bought in April and June amid market uptrends. In the other months of the year, they net sold as a result of hedging or profit-taking strategies.

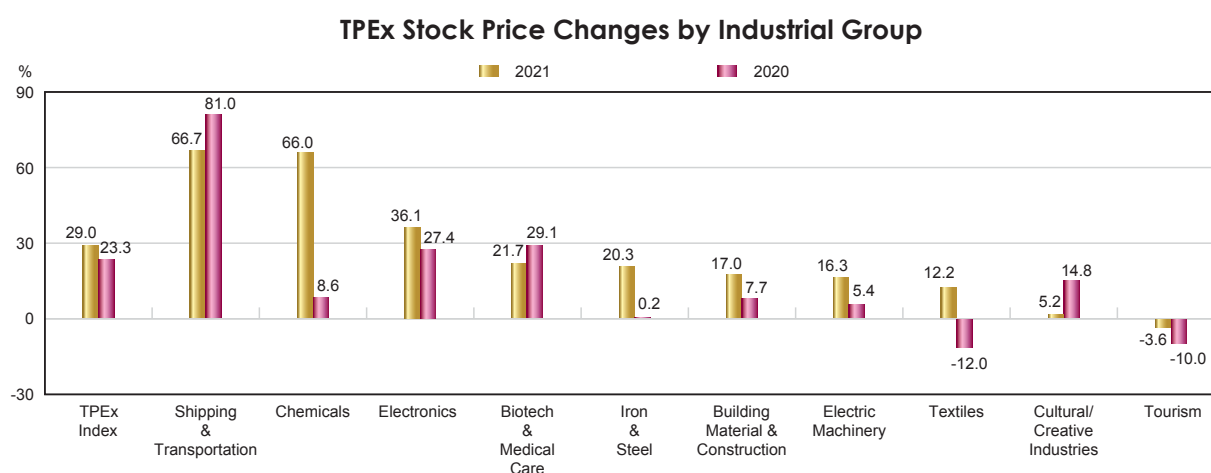
The TPEX Market

Listings and Capitalization Both Increased

At the end of 2021, the number of TPEX listings rose by 6 from the previous year to 788. The total par value increased by 2.5% to NT\$760.9 billion. The TPEX market capitalization, buoyed by rising stock valuations, increased to NT\$5.78 trillion with a surge of 32.9%.

TPEX Index Swung to Record High

In 2021, the TPEX market exhibited trends similar to those in the TWSE market. Except for May and August when the domestic virus flare-up and day-trading policy indecision pummeled the TPEX, the index was broadly on an uptrend from a low at the start of the year to an all-year, all-time high of 237.6 points at the end of 2021, rising by 29.0% from 184.1 points a year ago.



By category, all groups posted year-on-year gains, except for Tourism with a 3.6% drop as the pandemic brought this group another price decline for the second consecutive year. Among the top performers, Shipping and Transportation enjoyed a 66.7% gain thanks to elevated global freight rates and the persistent strength of the three major TWSE-listed shipping heavyweights. Chemical shares followed closely with a 66.0% increase as chemical products were bolstered by the international oil price upswing.

By type of institutional investor, foreign investors and local securities investment trust companies net bought TPEX securities worth NT\$23.5 billion and NT\$31.1 billion, respectively, while local dealers net sold NT\$1.8 billion.

With a record participation of 3.32 million active investor accounts in the year of 2021, the TPEX daily average trading value reached NT\$83.1 billion, a new record in market history while surging by 68.4% from the previous year's NT\$49.3 billion.

Key Measures for the Stock Markets

Key measures for Taiwan's stock markets in 2021 included the following:

- (1) March 12: The Financial Supervisory Commission (FSC) announced that securities firms would be allowed to provide sub-brokered business services that invest in foreign futures contracts linked to Taiwan's stock index (e.g., SGX FTSE Taiwan Index Futures).
- (2) May 4: The FSC announced that securities firms would be allowed to accept customer orders to trade foreign securities under a systematic investment plan, investing in foreign stocks and in exchange traded funds (ETFs) that do not have a leveraging or shorting effect.
- (3) July 20: The TPEX launched the Pioneer Stock Board (PSB) in the Emerging Stock Market. The PSB, whose trading mechanism is mostly identical to that in the TPEX main board market, is aimed at fostering the development of and facilitating the funding for innovative industries.
- (4) August 19: The Executive Yuan passed the amendment to the *Securities Transaction Tax Act*, extending the tax cut on day-trading transactions to keep the current 1.5‰ tax rate in place through December 31, 2024.
- (5) August 27: The TWSE introduced an alert mechanism to draw investors' attention to stocks involved with massive day trading activity. A security would be noted and announced as an "attention security" if (a) in the most recent six business days, its day trading volume as a percentage of its total trading volume exceeds 60%, and (b) in the current intraday trading session, its day trading volume as a percentage of its total trading volume also exceeds 60%.