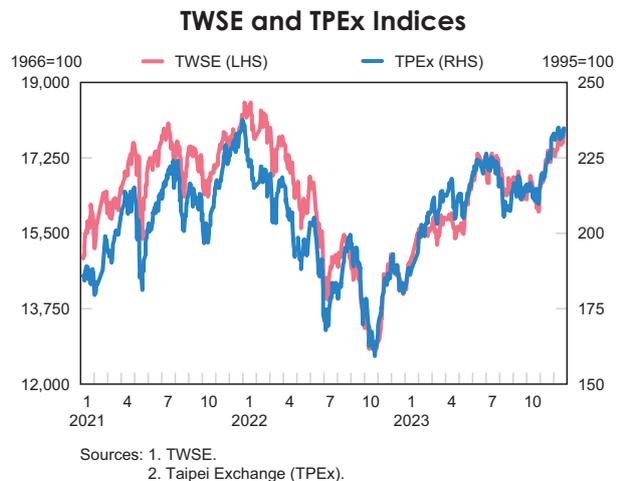


5. Stock Markets

From the beginning to the middle of 2023, the TAIEX was driven upwards by the easing of inflationary pressures and monetary tightening in the US, gradual relaxation of pandemic-containment measures at home, increasing demand for AI technologies, and bullish runs in US tech stocks. In the second half of the year, though, the US sovereign debt credit rating downgrade, China's property developers' financial debacles and its central bank's rate cuts, US stock corrections, and net foreign sales on the TWSE combined to lead to downward swings through to the end of October. Afterwards, the TAIEX was boosted by market expectation of end of the Fed's tightening cycle and an anticipated holiday shopping boom, and foreign investor net purchases of local stocks. As a result, the TAIEX followed the US stock rebound to rally and closed the year at an all-year high, up by 26.8% over the end of the previous year.

Most TWSE stock groups recorded price rises in 2023, except for four groups, namely Plastics, Glass & Ceramics, Shipping & Transportation, and Biotech & Medical Care. Among the top gainers, share prices of Electric Machinery and of Electronics surged by 39.5% and 39.1% on the back of the nascent AI boom as well as US tech stock rallies. Automobile shares also rose significantly by 30.3% amid strong car sales. Chemicals share prices increased by 26.7% on rising demand for carbon reduction solutions. Overall, the daily average trading value on the TWSE amounted to NT\$264.3 billion in 2023, gaining by 15.9% over the previous year.

In the over-the-counter stock market, the Taipei Exchange Capitalization Weighted Stock Index (TPEX) rose by 29.8% year on year at the end of 2023, with all categories posting share price rises. Building Material & Construction gained the most with a surge of 44.2%, reflecting solid profits of construction firms as domestic housing prices remained high. Electronics shares saw a rise of 42.8% and Cultural/Creative Industries came in third with a rise of 42.7%. Over all, the daily average trading value on the Taipei Exchange (TPEX) amounted to NT\$70.5 billion, up by 16.5% from the previous year.



The TWSE Market

Listings Increased and Capitalization Rose to Record Highs

At the end of 2023, the number of TWSE listings increased by 26 over the previous year to a total of 997. The par value of total shares rose by 1.9% year on year to NT\$7.6 trillion, and total market capitalization expanded considerably by 28.4% to a historical record of NT\$56.8 trillion amid the year's stock rallies. Meanwhile, the total number of Taiwan depository receipts (TDRs) remained 10 as of the end of the year.

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
2021	18,218.8	378.2	176.6	56,282.0	-454.1	70.1	-96.4
2022	14,137.7	228.0	115.4	44,266.0	-1,232.7	284.2	-293.8
2023	17,930.8	264.3	121.2	56,842.1	275.4	237.3	-262.0
2023/ 1	15,265.2	178.4	4.9	47,783.7	200.8	12.0	23.8
2	15,503.8	213.2	7.9	48,553.0	25.6	14.6	-22.0
3	15,868.1	221.5	10.2	49,781.6	-2.2	37.8	-24.2
4	15,579.2	218.1	7.6	48,913.3	-53.2	-0.9	-6.6
5	16,579.0	244.5	10.3	52,041.8	176.2	9.5	65.2
6	16,915.5	302.1	11.4	53,113.7	26.9	-3.3	44.5
7	17,145.4	364.9	14.2	53,861.6	-83.9	-17.9	-1.4
8	16,634.5	321.6	13.5	52,292.0	-124.0	56.2	-91.5
9	16,353.7	249.1	9.7	51,467.1	-166.0	63.6	-92.5
10	16,001.3	248.5	9.9	50,464.1	-144.9	40.7	-54.5
11	17,433.9	271.4	10.8	55,123.5	240.0	4.7	-12.5
12	17,930.8	292.0	10.8	56,842.1	180.1	20.2	-90.3

Source: Securities and Futures Bureau, FSC.

TAIEX Swung Upwards

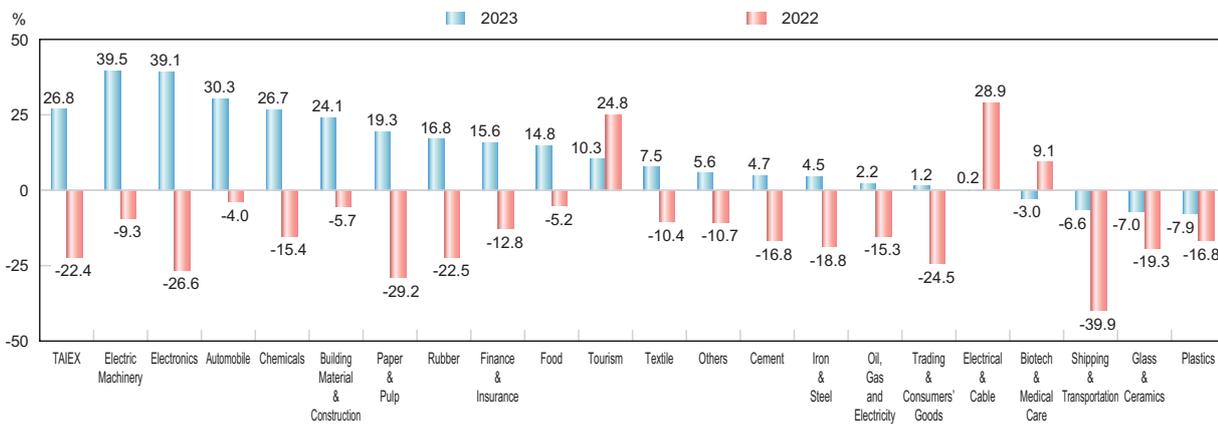
In the first half of 2023, the TWSE was boosted by a host of favorable developments as pressures of US inflation and monetary tightening abated, pandemic containment measures at home were gradually lifted, global AI products saw rising demand, and US tech stocks surged, leading to upward fluctuations in the TAIEX toward 17,335 points on June 15. However, dampened by China's real estate debt distress and policy rate cuts, US stock market corrections, and net stock selling by foreign investors, the TAIEX trended downwards and reached 16,001 points at the end of October. Thereafter, domestic stocks were buoyed alongside US market rallies owing to market expectations of the Fed to wrap up its monetary tightening cycle and foreign

investors' TWSE net buying ahead of the holiday shopping season. The TAIEX climbed upwards in the remaining months to a yearly peak of 17,931 points at year-end, representing an annual increase of 26.8%.

Broken down by subcategory, only four groups, namely Plastics, Glass & Ceramics, Shipping & Transportation, and Biotech & Medical Care, saw price declines. Among the gainers, the best performance was posted by Electric Machinery stocks with a 39.5% gain, followed by the 39.1% rise in Electronics stocks, both benefiting from the AI boom and US tech rallies. Strong car sales boosted Automobile share prices, which gained the third most at 30.3%. Reflecting rising demand for special technologies and applications (such as carbon capture) for energy transition, Chemicals share prices grew by 26.7%. Building Material & Construction stocks also had a 24.1% price gain on the back of strong profits sustained by high housing prices.

Among the declining categories, plastics share prices retreated the most with a fall of 7.9% as soft demand for synthetic resins (generally called plastics) weakened petrochemical raw material prices. Glass & Ceramics was the second worst group, dropping by 7.0% as major firms underperformed in earnings. Shipping & Transportation share prices declined by 6.6% because international container and bulk freight rates continued to be soft. Biotech & Medical Care declined by 3.0%, affected by NASDAQ Biotechnology Index downtrends.

TWSE Stock Price Changes by Industrial Group



Source: TWSE.

Market Turnover Increased

As domestic individual investors were drawn back to the market by the stock rallies, the TWSE daily average trading value was driven up to NT\$264.3 billion, increasing by 15.9% from the previous year's NT\$228.0 billion. The turnover rate thus went up from 115.4% a year ago to 121.2%.

Foreign Investors Net Bought

In 2023, foreign institutional investors (FINIs) net bought TWSE stocks by an amount of NT\$275.4 billion, reversing a three-year streak of net sales. Meanwhile, local securities investment trust companies posted a net purchase of NT\$237.3 billion, whereas local securities dealers posted a net sale of NT\$262.0 billion.

In the first two months of 2023, FINIs net bought TWSE shares as market sentiment was boosted by US inflation and monetary tightening pressures abating, China's reopening, and a gradual domestic withdrawal from pandemic-related restrictions. In March and April, FINIs turned into net sellers as they adjusted positions on concerns about an uncertain global economic outlook and several bank failures in the US and Europe. The following two months saw FINIs become net buyers again on market optimism amid the AI demand boom and the US debt ceiling deal. Afterwards, the US sovereign credit rating downgrade, China's property sector defaults, escalation of the Israel-Hamas conflicts, and the US expanding semiconductor export bans combined to lead to continuous FINI net sales from July to October. In the final two months, though, FINIs returned to net buying, encouraged by market expectation of the Fed pausing the rate hike cycle, the prospect of year-end holiday shopping, and the US stock rally.

In respect of local securities investment trust companies, they were mostly net buyers except for April, June, and July when they net sold to meet fund redemption demand, to boost financial statements, or to lock in gains from the bull market.

In respect of local securities dealers, who are inclined to conduct short swing trades to buy the rallies and sell the dips, they net bought in January, May, and June in 2023. In the other months of the year, they net sold for portfolio adjustments or profit-taking.

The TPEX Market

Listings and Capitalization Both Increased

At the end of 2023, the number of TPEX listings rose by 8 from the previous year to 816. The total par value increased by 2.1% year on year to NT\$757.9 billion. The TPEX market capitalization, buoyed by rising stock valuations, increased by 30.9% year on year to NT\$5.79 trillion.

TPEX Index Swung Up; Trading Value Rose

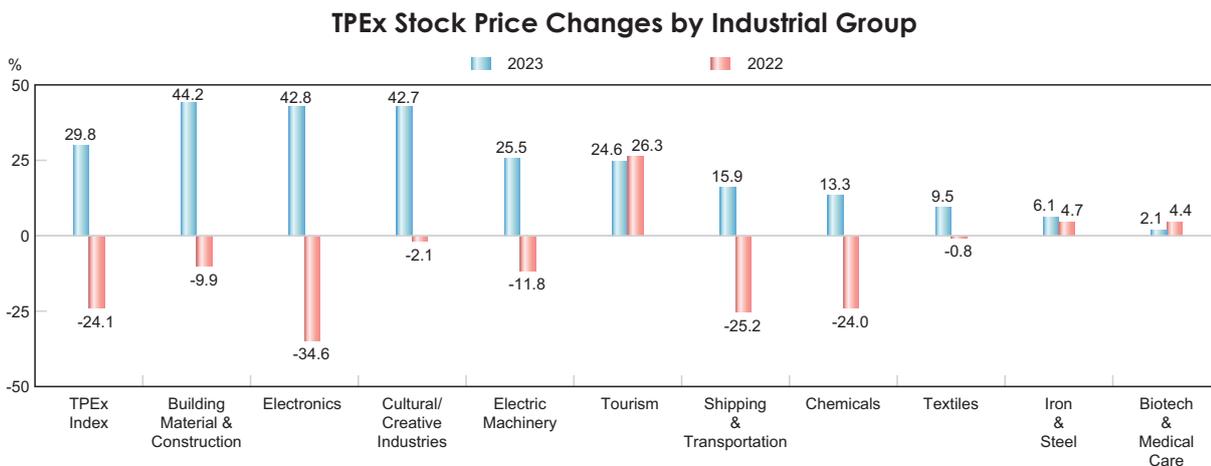
In 2023, the TPEX market moved approximately in line with the TWSE market. The TPEX Index gained momentum from softer US inflationary pressures and less urgency for Fed rate hikes, domestic pandemic containment measures being relaxed, AI-related demand on the rise, and strong US tech

stock rallies. The Index swung up to close the year at 234.0 points, increasing by 29.8% from 180.3 points a year ago.

All TPEX stock groups rose from the previous year. By category, the top performers generally benefited from factors similar to those on the TWSE market. Building Material & Construction came in first with a 44.2% surge owing to strong profits amid continuously high housing prices. The second best gainer was Electronics with a 42.8% rise on the AI demand boom and US tech rallies, followed by a 42.7% rise in Cultural/Creative Industries thanks to a thriving video game industry.

By type of institutional investor, foreign investors and local dealers net sold TPEX securities worth NT\$81.8 billion and NT\$353.6 billion, respectively, while local securities investment trust companies net bought NT\$48.5 billion.

Amid a bullish market and increased local investor enthusiasm, the TPEX recorded higher daily average trading value at NT\$70.5 billion, up by 16.5% from NT\$60.5 billion the previous year.



Source: TPEX.

Key Measures for the Stock Markets

Key measures for Taiwan's stock markets in 2023 included the following:

- (1) February 24: In view of the stock markets stabilizing, the Financial Supervisory Commission (FSC) announced the withdrawal of the four stimulus measures implemented since October 2022. The changes were: (1) Raising the cap on intraday securities-based lending (SBL) short sales from 10% back to 30%; (2) Lowering the maintenance margin requirement for short trading from 120% to 90%; (3) Removing the measure of relaxing the scope of collateral to cover the margin deficiency; (4) Lifting

the ban on short sales of a stock at prices lower than the previous session's close when that closing price marks a one-day fall of no less than 3.5%.

- (2) April 13: The National Stabilization Fund withdrew from the local stock markets on account of an international stock market recovery with global inflation easing and major central banks' rate hike pace slowing. This round of supportive intervention was the longest in history, lasting 275 days. The invested amount and profits were both the third highest on record, at NT\$54.5 billion and NT\$11.3 billion, respectively.
- (3) April 21: The Parliament passed the partial amendments to the *Securities and Exchange Act* and the *Securities Transaction Tax Act*. Major changes include: (1) Lowering the shareholding disclosure threshold of major shareholders from 10% to 5%; (2) Raising the maximum amount of relevant administrative fines for securities-related enterprises from NT\$4.8 million to NT\$6 million; (3) Lowering the securities transaction tax rate for sales of shares in the warrant hedge accounts of securities firms from 0.3% to 0.1%, effective November 2023 for five years.
- (4) August 7: The Taiwan Carbon Solution Exchange (TCX), jointly invested by the TWSE and the National Development Fund, was inaugurated, with the aim of fostering energy transition through carbon credit trading.
- (5) December 22: The TCX began trading and completed the first batch of international carbon credit transactions. Twenty-seven publicly-traded companies collectively purchased carbon credits equivalent to 88.5 thousand metric tons of carbon dioxide emissions, valued at around NT\$25 million in total.