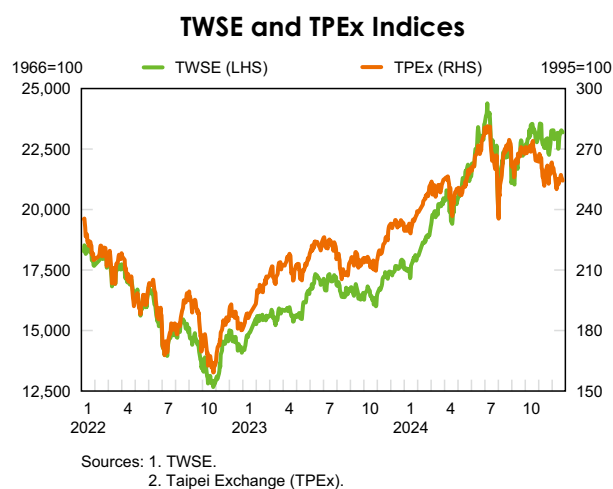


5. Stock Markets

In the first half of 2024, Taiwan's stock markets generally trended upwards, with the TAIEX reaching a historical high in July. The domestic market upswings mainly tracked the US tech stock rallies, reflecting the end of the US Fed's rate-hiking cycle and strong demand for AI and other emerging technology applications. However, what followed was a slump in the TAIEX through to early August owing to several adverse impacts including weak US economic indicators, escalation in the Middle East geopolitical conflicts, stock crashes in major markets around the world, and massive foreign investor selloffs of TWSE shares. Thereafter, buoyed by stellar earnings from TWSE-listed companies and rate cuts by the Fed, the TAIEX rebounded, mirroring the recovery in US stocks. In the fourth quarter, though, investors became concerned about inflationary consequences of the US President-elect Trump's economic and trade policies and the resultant delay or halt of the Fed's rate cuts. Against this backdrop, coupled with foreign investor net-sales, the TAIEX zigzagged sideways to close the year at 23,035 points, up by 28.5% over a year ago.

Most TWSE stock groups trended down in 2024. However, Electronics shares, which accounted for more than 70% of TWSE market capitalization, surged by 43.2% on a continued AI boom and US tech stock rallies, driving the TAIEX vigorously higher. Recording the second large increase were Shipping & Transportation shares, which rose by 30.8% owing not only to global shipping rate upturns but also to a spike in demand for services of major ocean freight carriers as importers rushed to front-load shipments ahead of Trump's new tariffs. Also rising significantly were Electric Machinery shares, with prices going up by 30.1% amid booming AI and green energy demand. Overall, the daily average trading value on the TWSE increased by 44.3% year on year to NT\$381.4 billion in 2024, mainly driven by bullish TAIEX trends and strong domestic investor interest in ETFs.

On the Taipei Exchange (TPEx), the over-the-counter market's mainboard index, referred to as the TPEx Index or TPEX, rose by 9.3% year on year at the end of 2024, with most categories posting share price gains. The best performer was Cultural/Creative Industries, whose shares surged by 86.2% as the global gaming industry continued thriving and the domestic cultural/creative industries benefited from strong government support measures. Building Material & Construction



shares came in second with a 22.7% price gain, reflecting heated housing market transactions as housing prices climbed further. Electric Machinery and Electronics stock groups were both buttressed by the continued AI demand boom and US tech stock rallies, rising by 15.1% and 11.0%, respectively. Over all, the daily average trading value on the Taipei Exchange amounted to NT\$96.1 billion, up by 36.3% from the previous year.

The TWSE Market

Listings Increased and Capitalization Rose to Record High

At the end of 2024, the number of TWSE listings increased by 34 over the previous year to a total of 1,031. The par value of total shares rose by 2.4% year on year to NT\$7.8 trillion, and total market capitalization grew significantly by 30.0% to a historical record of NT\$73.9 trillion amid the domestic stock market bull runs. Meanwhile, the total number of Taiwan depositary 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 |
| 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 |
| 2024 | 23,035.1 | 381.4 | 135.4 | 73,898.7 | -695.1 | 832.1 | -823.8 |
| 2024/ 1 | 17,889.6 | 280.8 | 10.9 | 56,865.5 | -1.7 | 32.8 | -48.5 |
| 2 | 18,966.8 | 363.9 | 7.9 | 60,273.0 | 116.2 | -17.7 | 25.4 |
| 3 | 20,294.5 | 441.2 | 14.4 | 64,512.8 | 22.7 | 202.0 | -37.4 |
| 4 | 20,396.6 | 416.3 | 12.8 | 64,864.4 | -149.5 | 54.8 | -64.1 |
| 5 | 21,174.2 | 435.8 | 14.2 | 67,390.3 | 81.8 | 51.8 | -2.6 |
| 6 | 23,032.3 | 458.4 | 11.9 | 73,397.5 | 3.6 | 60.1 | -48.6 |
| 7 | 22,199.4 | 470.1 | 13.9 | 70,824.7 | -350.3 | 119.1 | -165.6 |
| 8 | 22,268.1 | 372.2 | 11.5 | 71,086.0 | -134.8 | 123.2 | -199.9 |
| 9 | 22,224.5 | 316.3 | 8.9 | 70,978.4 | -95.1 | 81.3 | -84.9 |
| 10 | 22,820.4 | 338.3 | 8.8 | 73,067.9 | 39.1 | 40.4 | -48.3 |
| 11 | 22,262.5 | 350.2 | 10.3 | 71,369.0 | -272.9 | 85.0 | -116.8 |
| 12 | 23,035.1 | 332.9 | 9.9 | 73,898.7 | 45.7 | -0.7 | -32.5 |

Source: Securities and Futures Bureau, FSC.

TAIEX Surged amid High Volatility

After entering 2024, the TAIEX trended upwards on the back of the conclusion of the Fed's rate-hiking cycle and robust demand for AI and other emerging tech applications. The rallies, along with US stock market uptrends, took the TAIEX to the historical high of 24,390 on July 11.

However, the index was later dragged down by US economic data softening, Middle-East geopolitical conflicts escalating, global major stock markets plunging, and foreign investors shedding TWSE share holdings. By August 5, the TAIEX slumped to 19,831 points.

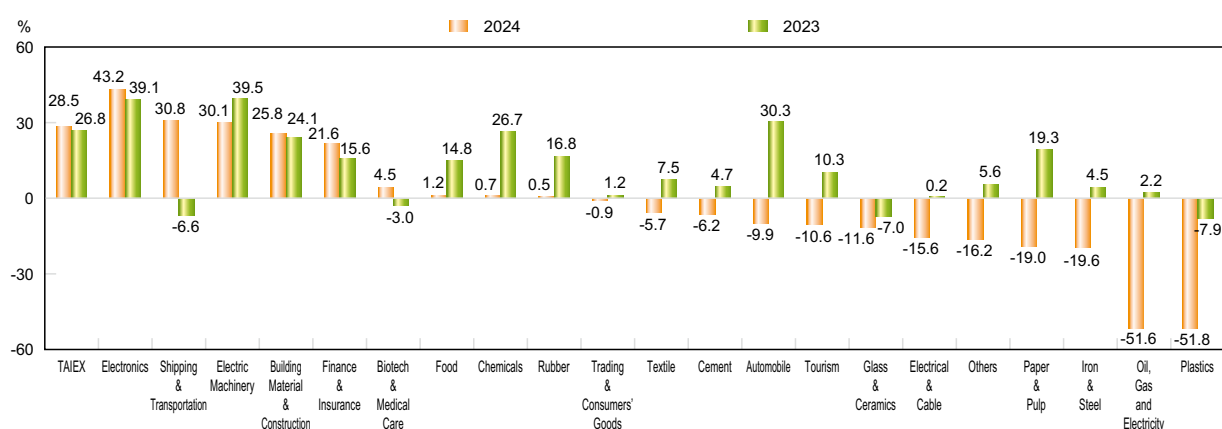
Afterwards, the TAIEX was able to rebound to 22,371 on August 28 owing to US stock rallies and domestic listed companies reporting strong earnings. However, the index retreated to 21,031 by September 11 due to market concerns over a US economic recession and foreign investor net sales. Thereafter, the TAIEX recovered lost ground as the Fed reduced the policy rate, the US stock market rebounded, and the major chipmaker TSMC's earnings call pointed to good profits and outlook, which combined to take the index upwards to 23,554 points on November 8.

The uptrend was, though, losing steam as investors feared that Trump's future policies such as tariffs and tax cuts would push up inflation and consequently cause the Fed to slow or stop the rate reductions. Coupled with foreign investors' net sales, the range-bound TAIEX fluctuations took the index to 23,035 points at the end of 2024, still up by 28.5% from 17,931 at the end of 2023.

Broken down by subcategory, most stock groups posted year-on-year price decreases, but the 43.2% surge in Electronics shares, which accounted for more than 70% of market capitalization, on the back of the continued AI boom and US tech bull runs led the TAIEX to take off in 2024. The second best performing group was Shipping & Transportation, rising by 30.8% on higher shipping rates and major orders from importers frontloading shipments ahead of Trump's potential tariff measures. Electric Machinery shares came in third with a 30.1% increase on AI and green energy booms. Building Material & Construction stocks gained by 25.8% as high housing prices spurred housing transactions in the first half of the year. Finance & Insurance also posted a 21.6% price increase, reflecting prospective merger deals and financial holdings companies reaping higher profits.

Among the categories posting price decreases, Plastics shares were the worst performer with a 51.8% drop because of slow demand for plastic chemicals as well as declining profits owing to overcapacity in China. The category of Oil, Gas & Electricity had a similarly heavy fall of 51.6% as shares were weighed down by weak international oil prices. Iron & Steel share prices decreased by 19.6% on China's overcapacity and a global supply-demand imbalance. Paper & Pulp dropped by 19.0%, reflecting escalated pulp costs and softer demand as paperback books were increasingly replaced by e-books amid rising environmental protection concerns.

TWSE Stock Price Changes by Industrial Group



Source: TWSE.

Market Turnover Increased

Driven by the TAIEX upswings and resident investors' zeal for ETF trades, the TWSE trading value expanded to a daily average of NT\$381.4 billion in 2024, surging by 44.3% from NT\$264.3 billion in 2023. The turnover rate thus climbed from 121.2% in 2023 to 135.4%.

Net Buying by Investment Trust Companies Hit New High

In 2024, as investment trust companies actively ramped up their issuance and offering of TWSE stock/index-linked ETFs, leading to a historical net-buying amount of NT\$832.1 billion. Meanwhile, foreign institutional investors (FINIs) and local securities dealers posted net sales of NT\$695.1 billion and NT\$823.8 billion, respectively.

The FINIs trading activity in 2024 are summarized below:

- (1) January: A modest net sale, as the FINIs adjusted share holdings.
- (2) February to March: Net buying, driven by tech stock rallies on account of market expectations of the Fed ending its rate-hiking cycle and stronger demand for AI and related technologies.
- (3) April: Net selling owing to Middle-East conflicts-induced global stock market crashes.
- (4) May to June: Net buying on the back of record-breaking US stock market rallies as well as an ongoing AI boom.
- (5) July to September: A series of net sales as the FINIs, amid caution over unimpressive US economic performance and US stock slumps, dialed back local share holdings to lock in profits of the rallying TWSE stocks.

- (6) October: Net buying, boosted by better-than-expected earnings reported by TSMC and the US tech rally.
- (7) November: Net sale, reflecting US treasury yield rises and investor concerns about Trump waging a new round of trade war.
- (8) December: Net buying, supported by an expected consumption boom in the holiday season.

In respect of local securities investment trust companies, they were mostly net buyers, except for February and December when they net sold to meet fund redemption demand or to lock in gains from the rallying stocks. In particular, they considerably stepped up stock positions in preparation for new ETF offers in March, July, and August, taking the total net buying amount in 2024 to a historical high.

With respect to local securities dealers, who are inclined to conduct short swing trades to buy the rallies and sell the dips, they only net bought in February, while in the rest of the year they net sold for portfolio adjustments or profit-taking.

The TPEX Market

Listings and Capitalization Both Increased

At the end of 2024, the number of TPEX listings increased by 22 from the year before to 838 in total, with the total par value rising by 5.0% to NT\$795.5 billion. The TPEX market capitalization rose on the back of share price gains, reaching NT\$6.54 trillion after a 12.8% increase from the end of 2023.

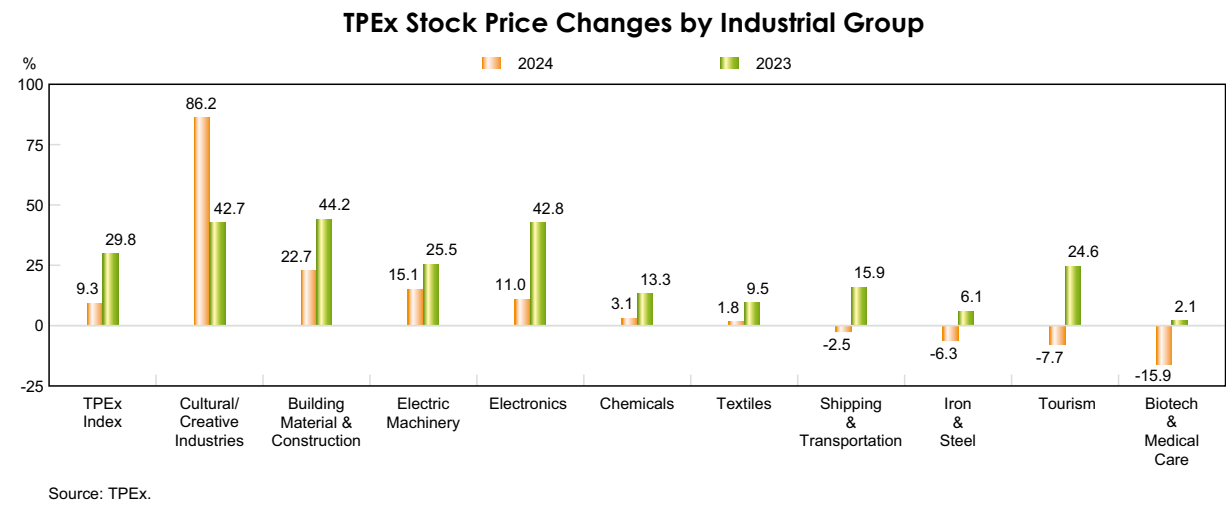
TPEX Index First Rose Then Fell; Trading Value Increased

In 2024, alongside the bullish TAIEX, the TPEX Index opened the year at the yearly low to swing up successively to an all-time high of 281.3 points on July 11. Thereafter, though, affected by international stock market corrections, the TPEX Index swung downwards towards 255.8 points at the end of the year, albeit still 9.3% higher than the 234.0 points at the end of 2023.

By stock category, there was a broad uptrend across the TPEX market. Cultural/Creative Industries surged by 86.2%, the greatest gain among the stock groups as globally the gaming industry was on the rise and domestically the government buoyed up cultural/creative industries with robust support measures. Building Material & Construction came in second with a 22.7% increase as the first half of 2024 saw housing prices rising and the real estate market thriving. The categories of Electric Machinery and Electronics gained by 15.1% and 11.0%, respectively, owing to AI demand continuously expanding and US tech stock prices rising.

By type of institutional investor, local securities dealers net sold TPEX equities worth NT\$596.7 billion, whereas local securities investment trust companies and FINIs both posted net buying, with the respective amounts of NT\$72.8 billion and NT\$90.7 billion.

Propelled by high-level fluctuations and increased local investor enthusiasm, the TPEX market recorded a daily average trading value of NT\$96.1 billion, up by 36.3% compared to NT\$70.5 billion the previous year.



Key Measures for the Stock Markets

Key measures for Taiwan's stock markets in 2024 included the following:

- (1) January 1: Stocks listed on the TWSE's Taiwan Innovation Board would be allowed for margin trading (i.e., margin purchase, short sale, and securities borrowing), provided that (1) the stock has already been listed for more than six months, (2) its book value per share is above the stock's par value, and (3) it is judged to be free of excessive price volatility, over-concentration of equity, and aberrant trading volume.
- (2) May 10: Pursuant to the amendment to Paragraph 1, Article 43-1 of the *Securities and Exchange Act*, the disclosure threshold for major shareholding acquisition was lowered from 10% to 5% of the total issued shares of a public company, effectively immediately.
- (3) December 2: To promote market efficiency, the matching interval of intraday odd lot trades would be shortened from one minute to five seconds.
- (4) December 31: The Parliament passed the partial amendments to the *Securities Transaction Tax Act*, extending the measure of halving the day trading transaction tax to 1.5‰ for another three years to the end of 2027.