

6. Stock Market

Taiwan's stock markets generally fluctuated on an uptrend in 2013, underpinned by the US Fed's decision to delay the unwinding of its monetary stimulus, significant increases of share holdings by foreign investors, and new measures introduced by the Financial Supervisory Commission (FSC) to boost the stock markets.

At the end of 2013, the Taiwan Stock Exchange (TWSE) weighted stock price index (TAIEX) registered a gain of 11.8 percent over the previous year end. All industrial groups except shipping & transportation posted year-on-year increases, with textile and financial shares the best performers. The TAIEX daily average trading value was NT\$77.0 billion, a 4.9 percent decrease compared to the previous year.

In Taiwan's over-the-counter market, the weighted stock price index of the GreTai Securities Market (GTSM) closed the year up by 25.4 percent over the previous year end. Among across-the-board stock rises, textile shares registered the highest gain of 130.0 percent. The daily average trading value was NT\$16.4 billion, increasing by 3.9 percent compared to the previous year.

Major Statistics of the TWSE Market

Year/Month	Stock Price Index* (1966=100)	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
2011	7,072.1	106.1	119.9	19,216	-277.6	9.4	-45.6
2012	7,699.5	81.0	97.3	21,352	144.2	-16.1	-2.2
2013	8,611.5	77.0	82.6	24,520	243.0	-76.7	8.5
2013/ 1	7,850.0	78.0	7.9	21,863	16.3	-7.9	0.6
2	7,898.0	78.6	4.6	22,027	29.2	-4.6	4.8
3	7,918.6	76.6	7.3	22,129	-30.9	-10.1	-4.1
4	8,093.7	73.0	6.5	22,649	29.5	-7.7	4.1
5	8,254.8	82.8	7.9	23,119	58.3	-16.7	1.4
6	8,062.2	78.0	6.6	22,608	-117.5	-10.0	-11.7
7	8,107.9	81.7	8.3	22,728	82.4	-2.5	16.1
8	8,021.9	74.5	6.9	22,567	-45.7	0.8	-6.9
9	8,173.9	75.4	6.6	23,037	121.0	-6.0	-2.5
10	8,450.1	79.4	7.3	23,884	74.6	-5.0	1.0
11	8,406.8	73.7	6.5	23,876	-21.2	-1.6	4.4
12	8,611.5	71.9	6.5	24,520	47.0	-5.5	1.4

Notes: * Refers to end-of-period data.

** Minus sign "-" indicates net sale positions.

Source: Securities and Futures Bureau, FSC.

The TWSE Market

Listings and Capitalization Both Increased

At the end of 2013, the total number of TWSE-listed companies amounted to 838, adding 29 new listings to the market. Total market capitalization grew by 14.8 percent year on year to NT\$24.5 trillion.

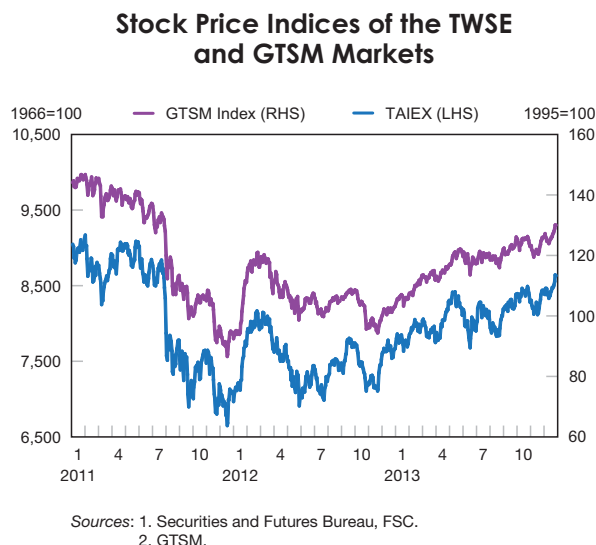
TAIEX Trended Up Gradually

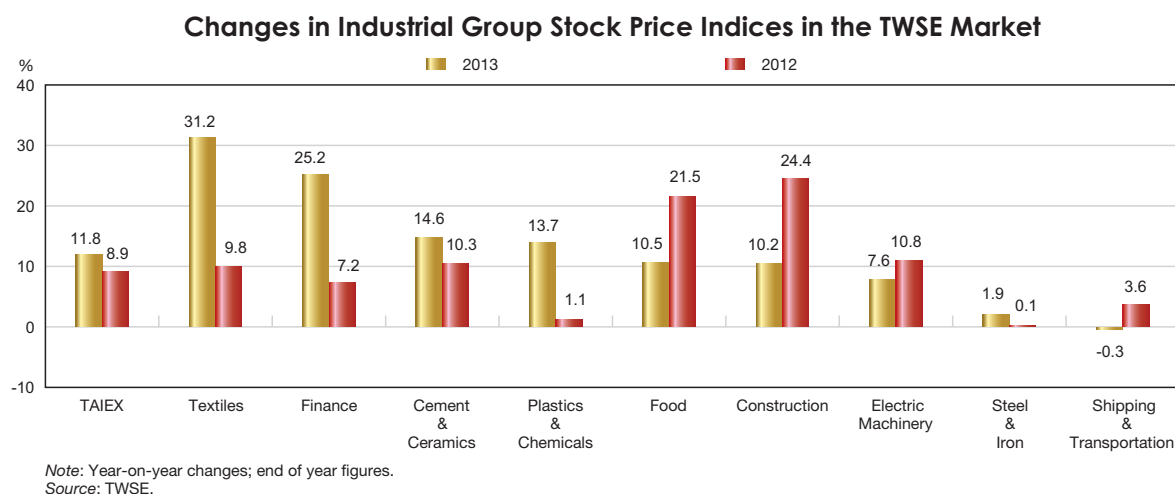
In the beginning of 2013, strong rallies in international stock markets, progress in cross-strait financial cooperation, and the resulting foreign investor purchases sent the TAIEX on an uptrend. The index reached 8,039 points on March 11, before investor concerns over rising tensions on the Korean Peninsula and an avian flu outbreak in China sapped investor sentiment. As a result, the TAIEX dropped to 7,729 on April 9.

Encouraged by a better-than-expected outlook for the electronics industry, new record highs achieved by the US stock markets, and a possible easing of the rules for the securities capital gains tax, foreign investors began to accumulate net buying positions on the local bourse, helping the TAIEX to bounce back and reach 8,399 on May 22. Following this, market concerns of an imminent Fed QE tapering pushed down share prices and the TAIEX fell to 7,663 points on June 25.

However, the TAIEX rebounded with sustained rallies in the second half of the year, driven by several favorable developments both at home and abroad. Investor sentiment was first brightened by the passing of an eased version of the capital gains tax on stock sales, in which the 8,500-point trigger threshold was removed. Then, the Fed opted to postpone QE tapering, and Taiwan's FSC rolled out several equity market stimulus measures. The TAIEX eventually hit an all-year high of 8,623 on December 30 and dipped only slightly in the final session the next day to close the year at 8,612, an increase of 11.8 percent from 7,700 the previous year end.

Broken down by subcategory, almost all industrial groups recorded positive annual growth in share prices owing to substantial net buying from foreign investors, with shipping & transportation shares and their marginal year-on-year price fall the only exception. Textile stocks outperformed other groups with a 31.2 percent rise, thanks to new clothing technology that increases functionality and boosts demand. Financial stocks reaped the second largest gain of 25.2 percent, benefiting mainly from increased cross-strait financial cooperation.





Market Turnover Decreased

In 2013, TWSE market turnover, measured on a daily average basis, declined to NT\$77.0 billion from the NT\$81.0 billion registered the previous year. The 4.9 percent drop was mainly due to less-than-satisfactory domestic recovery and heightened investor concern over QE tapering.

Foreign Investors and Local Dealers Net Bought, While Local Securities Investment Trust Companies Net Sold

In 2013, foreign investors bought a net NT\$243.0 billion in the TWSE market. Local securities dealers also net bought shares totaling NT\$8.5 billion, while local securities investment trust companies net sold NT\$76.7 billion.

Foreign investors were net sellers in the months of March, June, August, and November, during which market sentiment was clouded by renewed European debt woes, the Fed's QE taper talk, and Taiwan's own food safety issues. In all the other months of 2013, foreign investors were net buyers of the TAIEX shares, encouraged by significant earnings growth among Taiwan's listed companies and the Fed's decision to hold off QE tapering.

In terms of local securities investment trust companies, a net purchase position of NT\$0.8 billion was recorded only in August as a result of bargain hunting after the market slumped. In the other months, strong demand for fund redemption led to net sales by local securities investment trust companies.

Local securities dealers, with inclinations for short swing trading, net sold on downtrends in March, June, August, and September, and net bought amid market rallies in the other months of 2013.

The GTSM Market

Listings and Capitalization Both Increased

The number of GTSM listings increased by 20 during the year, amounting to 658 at the end of 2013. Market capitalization grew considerably by 33.8 percent, standing at NT\$2.32 trillion at the year end.

Share Prices Rose Significantly

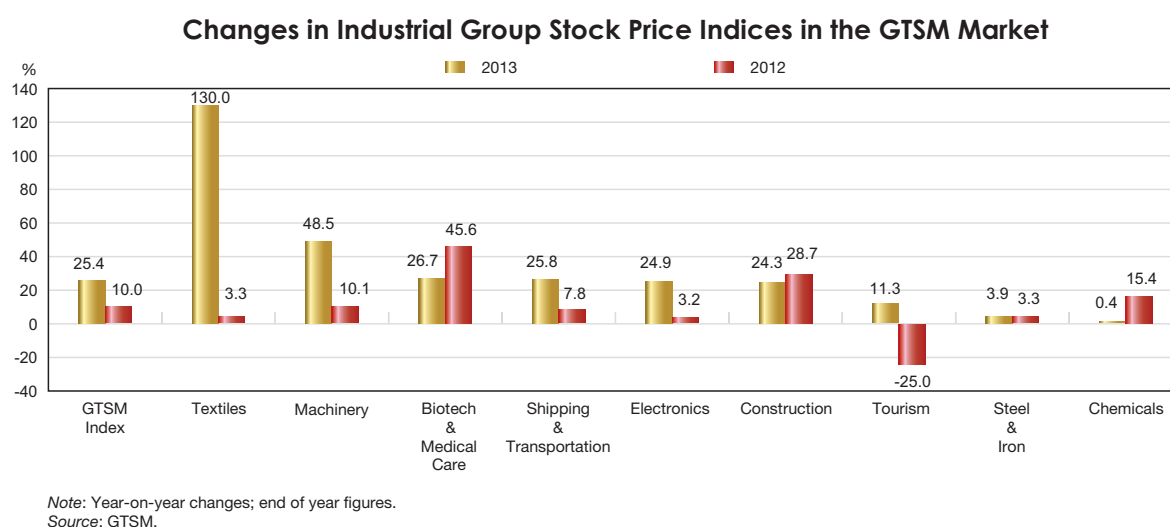
Similar to the TWSE market, stock prices in the GTSM market generally trended up in 2013. The index hit a yearly high of 129.6 points on the year's final day of trading, a remarkable increase of 25.4 percent compared to the 103.3 points recorded at the end of 2012.

All three types of institutional investors finished the year with net buying positions. Foreign investors, local securities investment trust companies, and local dealers net bought NT\$26.9 million, NT\$9.0 billion, and NT\$3.0 billion, respectively. The daily average turnover in the GTSM market was NT\$16.4 billion, increasing by 39.0 percent from NT\$11.8 billion the previous year.

Key Measures for the Stock Markets

Key measures for Taiwan's stock markets in 2013 were as follows:

1. March 1: The Executive Yuan approved the "Stock Market Revitalization Program," aiming to foster steady growth of the stock market by (1) increasing diversification of quality financial products, (2) invigorating stock market activity, (3) expanding the scope of Taiwan's capital market, and (4) promoting international visibility of Taiwan's stock market and enhancing corporate governance.



2. April 1: To attract more investors into the futures market, the levy on futures transactions was lowered from 0.004 percent to 0.002 percent.
3. June 25: The amended version of the capital gains tax on securities trading passed the third reading in the legislature. The revision includes (1) canceling the 8,500-point trigger threshold, (2) exempting small investors from the tax, and (3) levying only the additional sales by large investors who have sold over NT \$1 billion in shares within one year.
4. July 1: In an effort to increase the efficiency of trading and information disclosure, the TWSE shortened the matching time for stock trading to 15 seconds from 20 seconds; information disclosure during the closing session was also adjusted to be at an interval of every 15 seconds.
5. September 3: The FSC announced three measures to stimulate stock market activity, including (1) allowing investors to conduct buy-then-sell day trading, (2) exempting more stocks from the price constraint on SBL (securities borrowing and lending) short sales, and (3) removing the ban on trading at the daily price ceiling/floor by securities dealers, effective for a trial period.
6. September 23: The shares of 1,200 TWSE and GTSM listed companies were exempted from the restriction of no short sales below their last closing prices.