

10. Stock Market

The Taiwan Stock Exchange (TSE) weighted average price index (TAIEX) closed at 4,452 points at the end of 2002, a decrease of 19.8 percent from the previous year-end. Average daily turnover for the year posted a 17.3 percent increase from the figure recorded in the previous year to NT\$88.2 billion.

The Over-the-Counter (OTC) weighted average stock price index slipped by 30.7 percent in 2002. Average daily turnover increased to NT\$11.3 billion for the year, a rise of 19.0 percent as compared to the previous year.

The TSE Market

(1) Increase in the Number of Listed Companies

There were a total of 638 listed companies at the end of 2002, representing an increase of 54 companies over the previous year-end. Market capitalization amounted to NT\$9.1 trillion, a 10.8 percent decrease compared with the end of the previous year.

Major Statistics of the TSE Market

Unit: NT\$ Billion

Year Month	Price Index* (points; 1966=100)	Average Daily Turnover	Turnover Rate (%)	Market Capitalization*	Net Buying Positions**		
					Foreign Investors	Securities Investment and Trust Companies	Securities Dealers
2000	4,739.1	112.6	259.2	8,191.5	161.3	-16.0	-79.0
2001	5,551.2	75.2	207.0	10,247.6	306.6	-8.4	9.9
2002	4,452.5	88.2	217.4	9,091.5	27.9	6.9	3.1
2002/ 1	5,872.1	151.7	30.6	10,870.4	13.6	1.6	7.1
2	5,696.1	101.9	11.6	10,583.0	-0.7	-3.5	-3.3
3	6,167.5	132.0	24.0	11,584.6	57.7	2.4	9.3
4	6,065.7	117.2	21.6	11,409.8	22.6	-13.6	0.4
5	5,675.7	75.7	15.6	10,700.0	-6.0	2.5	-5.6
6	5,153.7	66.4	13.9	9,529.1	-14.4	0.8	-5.5
7	4,940.4	68.8	17.5	9,052.6	-27.6	11.6	-0.3
8	4,764.9	61.7	14.7	9,206.1	-19.6	8.2	4.3
9	4,191.8	51.3	12.5	8,232.3	-38.5	-3.7	-8.7
10	4,579.1	75.9	18.2	9,187.9	10.0	2.5	3.2
11	4,646.7	89.5	20.0	9,393.7	41.6	0.3	4.0
12	4,452.5	71.4	17.3	9,091.5	-10.8	-2.1	-1.9

Note: * Refers to year-end or month-end data.

** "-" sign indicates net sell.

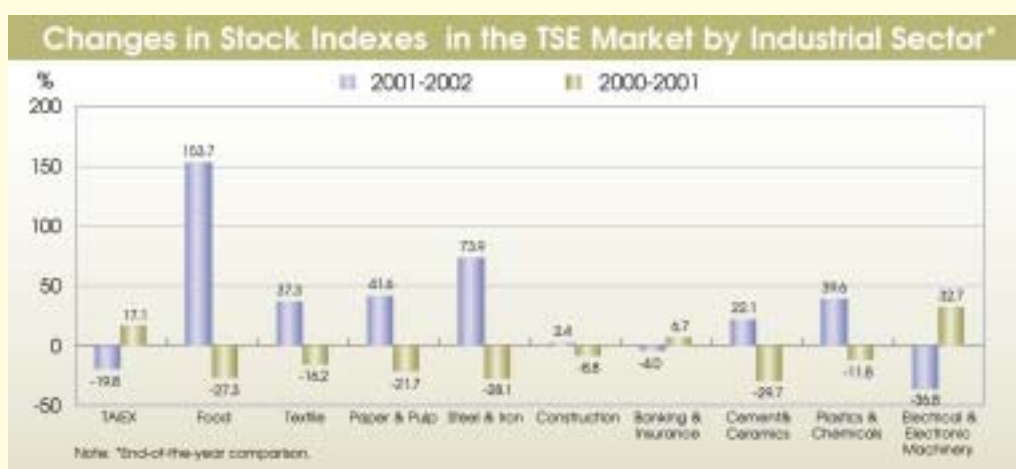
Source: Taiwan Stock Exchange

(2) Lackluster Performance in Share Prices

The TAIEX closed the year 2002 at 4,452 points, a fall of 1,099 points or 19.8 percent from the previous year-end. At the beginning of the year, a favorable political atmosphere between Taiwan and Mainland China lent support to the TAIEX. Foreign investors' active purchase of electronics stocks following a vigorous rebound in US semiconductor equities pushed the TAIEX further upward in March. Adding to this were the surging traditional industry share and financial industry share sub-indexes backed up by the improved performance of traditional industries and the progress in banks' bad loan write-offs. As a result, the TAIEX steadily climbed upward from January through April, and reached an all-year high of 6,462 points on April 22. However, the TAIEX reversed its upward trend from late-April and the correction persisted until October. A net sale by foreign investors in the local market triggered by plummeting US technology stock prices as well as gloomy prospects for IC foundries in the third quarter announced by local firms contributed to this decline. In early October, the shutdown of the western ports and worries of a war with Iraq both undermined US growth. As a result, the TAIEX dropped to 3,850 points on 11 October 2002, the lowest level in 2002. The index stopped its sliding trend and rebounded in mid-October thanks to aggressive buying by foreign investors, the ease of geopolitical tensions, and the end of the US ports lockout. However, this upward trend reversed one month later in line with the turnaround of the global stock market, bringing the TAIEX to close the year at 4,452 points.



Among all industrial sub-indexes, the electrical and financial stocks were the biggest decliners. Electrical stock prices plunged sharply by 36.8 percent during the year against the backdrop of lackluster US hi-tech shares and the anemic recovery in local electronics industry. Financial stocks slipped slightly by 4 percent as bank profits were eroded by bad loan write-offs. On the contrary, traditional industry shares saw a hike in prices, as profitable investments in Mainland China and a rise in international commodity prices both contributed to their improved earnings.



(3) Mild Rise in Turnover and Turnover Rates

Trading activities expanded moderately in 2002. The daily average turnover for the year was NT\$ 88.2 billion, a mild increase when compared with the previous year's NT\$ 75.2 billion. The uncertainty toward economic prospects led investors to shorten the period for holding stocks and resulted in a slight increase in turnover rates. The turnover rate rose from 207 percent in 2001 to 217 percent in 2002.

(4) Net Buying Positions for Institutional Investors

For the year 2002, foreign investors were the most active institutional buyers in the local market with net buying amounting to NT\$ 27.9 billion worth of shares. Local securities investment and trust companies as well as securities dealers also posted net purchases of NT\$ 6.9 billion and NT\$ 3.1 billion, respectively.

Stimulated by heating US semiconductor shares and the enhanced capacity utilization rate of a well-known local bellwether company of wafer foundry, foreign investors actively

bought shares in March and April and registered a year high of NT\$ 57.7 billion in net purchases in March. However, the lackluster performance of US hi-tech equities from May induced redemption pressures. Consequently, foreign investors sold out of TAIEX shares in exchange for liquidity in the following months. A surge in buying by foreign investors appeared again in October and November.

Local securities investment and trust companies registered somewhat flat positions in the first quarter of 2002. In April, wavering economic growth and already-high stock prices caused net sales to hit an all-year high of NT\$ 13.6 billion. From May through August 2002, motivated by low equities positions and bargain-hunting trades, local securities investment and trust companies registered a net purchase of shares. However, the net sale of foreign investors and heightened fears toward war between the US and Iraq caused these local companies to register a net sale during the last four months of the year.

Local securities dealers tended to make short-term trades in view of the gloomy prospects for Taiwan's economy. A net purchase was recorded when the stock market turned bullish, while a net sale appeared when the market trended down.

The OTC Market

(1) Increase in the Number of Listed Companies

The number of listed companies in the OTC market increased by 51 to 384 at the end of 2002. Market capitalization shrank by 38.9 percent over the previous year to NT\$ 862.3 billion.

(2) Marked Dive in OTC Share Prices



The OTC weighted average stock price index closed at 94.4 points in 2002, indicating a 30.7 percent decline from the previous year-end.

Most OTC index growth was squeezed into the first four months of the year with a steady loss of momentum since then. The index began 2002 with a boost, reflecting a booming electronics sector, and reached an all-year high of 163.0 points on April 22. Beginning in May, however, the index reversed amid weaker-than-expected economic recovery. Sentiment in the market further dipped due to concerns over a war between the US and Iraq. These forced the index to slide down to its annual low of 89.7 on October 14. As the crisis of the military campaign against Iraq abated and the US electronics equities rebounded, investors displayed restored confidence in the local stock market later in the year.

As for the various sectors of shares, the electronics sector declined most severely, with a dive of 41.0 percent. The securities sector also dropped, registering a decline of 15.5 percent over the previous year. On the other hand, traditional industry stocks all registered advances. Among them, the steel and iron as well as textiles shares outperformed the others, rising by 35.3 and 44.2 percent for the year, respectively.

(3) Large Increase in Turnover

Average daily turnover increased by 19 percent to NT\$ 11.3 billion in 2002. The pickup was mainly due to the increased trading volume during the January-April period in line with the stock market's rally. Turnover started from its year high of NT\$ 21.2 billion in January. From May to December, however, turnover slid all the way down to the lowest level of NT\$ 5.2 billion recorded in December.

