

## 10. Stock Market

The Taiwan Stock Exchange (TSE) weighted stock price index (TAIEX) closed the year with a substantial increase of 32.3% over the previous year. All industrial group stock price indices went up, with construction shares posting the biggest gains. The daily average trading value for the year was NT\$81.7 billion, 7.4 percent lower than that of the previous year. The thinner trading value was mainly caused by the impact of the SARS epidemic.

The GreTai Securities Market (GTSM, an over-the-counter market) weighted stock price index increased by 24.3 percent over the previous year. The daily average turnover for the year decreased by 26.6 percent to NT\$8.3 billion, compared with that of the previous year.

### The TSE Market

#### Increase in the Number of Listed Companies

There were a total of 669 listed companies at the end of 2003, representing an increase of 31 companies from the previous year-end. During the same period, the par value of total shares issued increased by 6.8 percent to NT\$4.7 trillion, while total market capitalization rose 41.5 percent to NT\$12.9 trillion.

### Major Statistics of the TSE Market

Unit: NT\$ Billion

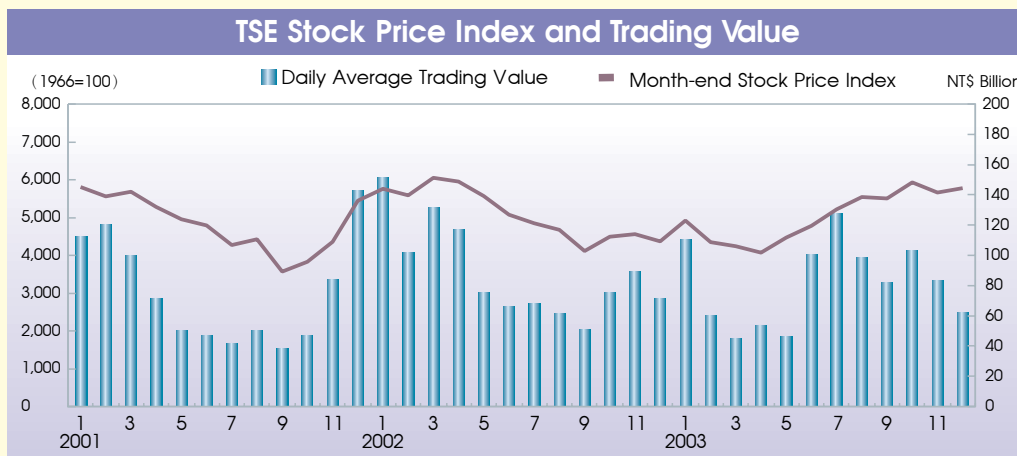
	Stock price Index* (1966=100)	Daily Average Trading Value	Turnover Rate (%)	Market Capitalization*	Net Buying /Sale Positions for Institutional Investors**		
					Foreign Institutional Investors	Securities Investment Trust Companies	Securities Dealers
2001	5,551.2	75.2	207.0	10,248	306.6	-8.4	10.0
2002	4,452.5	88.2	217.4	9,095	27.9	6.9	2.3
2003	5,890.7	81.7	190.8	12,868	549.0	-5.7	29.8
2003/ 1	5,015.2	110.6	20.5	10,248	23.3	7.3	9.7
2	4,432.5	60.2	10.6	9,066	-12.4	-2.8	-6.0
3	4,321.2	45.5	10.8	8,842	25.3	-0.8	-3.8
4	4,148.1	56.3	13.9	8,492	31.5	-4.8	-1.1
5	4,555.9	46.9	10.6	9,320	73.8	10.0	1.8
6	4,872.2	100.9	20.3	9,936	72.6	-7.5	5.4
7	5,318.3	127.9	27.7	10,655	74.8	-1.9	8.3
8	5,650.8	99.3	18.4	11,306	84.2	2.4	5.2
9	5,611.4	82.2	15.1	11,455	54.9	-7.2	3.1
10	6,045.1	103.4	18.0	12,663	116.5	4.5	5.8
11	5,771.8	83.8	13.8	12,148	-15.0	-6.1	-1.3
12	5,890.7	62.1	11.1	12,868	19.5	1.5	2.9

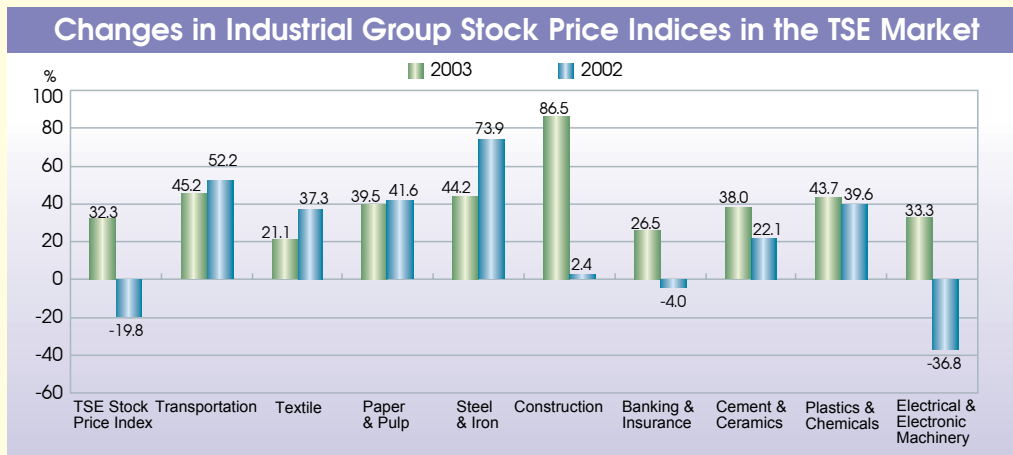
Notes: \* Refers to year-end or month-end data.  
 \*\* Minus sign "-" indicates net sale position.  
 Source: Taiwan Stock Exchange Corporation.

### Share Prices Rally After Early Losses

The TAIEX climbed higher in January led by the rebound in US technology shares and the easy funding conditions in the domestic market. However, the index later lost its momentum as the US-Iraq war and the subsequent outbreak of the SARS epidemic cast a cloud over the index and drove it to its yearly low of 4,140 on April 28. From May onwards, the index following the upturn in the global market reversed its downward trend and started its six-month long rally. With the impact of the SARS epidemic gradually diminishing after mid-June and the government's announcement that the regulation of the qualified foreign institutional investors (QFII) system would be lifted in October, optimistic expectations that the Morgan Stanley Capital International Inc. (MSCI) would gradually raise Taiwan's weighting in its international emerging market indices appeared in the market. Coupled with US technology shares' rally, foreign investors continuously increased their purchases of Taiwan shares and pushed the TAIEX to its yearly high of 6,142 points on November 5. After then, as institutional investors began to take profits, the TAIEX consolidated, and concluded the year at 5,891 points, exhibiting a 32.3 percent increase when compared with the 4,452 points recorded at the end of the preceding year.

All the industrial group stock price indices advanced during the year. Construction shares' gain of 86.5 percent outperformed other shares due to the emergence of up-beat prospects in the property market. The transportation share prices increased by 45.2 percent owing to the surface transportation industry's strong recovery and rising profitability. Steel and iron, plastics and chemicals, paper and pulp, and cement and ceramics sector shares performed well due to the robust market demand from China. Electrical and electronic machinery shares gained





33.3 percent as the rebound in the electronics industry prompted foreign institutional investors to expand their purchases of the shares. Banking and insurance shares increased by 26.5 percent, mainly because of rising profitability of banks after large write-offs of bad debts by banks in the past three years and the optimistic sentiment arising from news of attempted mergers between financial holding companies.

Following the heating up of the stock market, returns on domestic equity funds increased, making them more attractive to investors and resulting in the expansion of the scale of these funds. At the end of the year, domestic equity funds as a whole grew by 14.1% from the previous year's NT\$229.7 billion to NT\$262.2 billion.

### Reduction in Turnover and Turnover Ratio

The daily average turnover for the year dropped by 7.4 percent from the previous year's NT\$88.2 billion to NT\$81.7 billion. Between February and May, gloomy prospects for the TAIEX resulting from the US-Iraq war and the SARS epidemic undermined investor confidence, causing daily turnover to drop to its lowest level for the year of NT\$45.5 billion in March. From June onwards, as the impact of the SARS epidemic was gradually abating and foreign investors' net purchases of shares increased considerably, trading turned active again with the average daily trading value expanding to more than NT\$100 billion in June, July and October. For the year as a whole, the thinner trading value caused the turnover ratio to decline from the previous year's 217.4 percent to 190.8 percent.

### Net Buying Positions for Institutional Investors

Foreign institutional investors were net buyers of shares in 2003, with a record-high net

purchase of NT\$549 billion. In comparison, local institutional investors were relatively conservative. Net sales of shares by local securities investment trust companies amounted to NT\$5.7 billion while net purchases of shares by local securities dealers were NT\$29.8 billion.

**The GTSM Market**

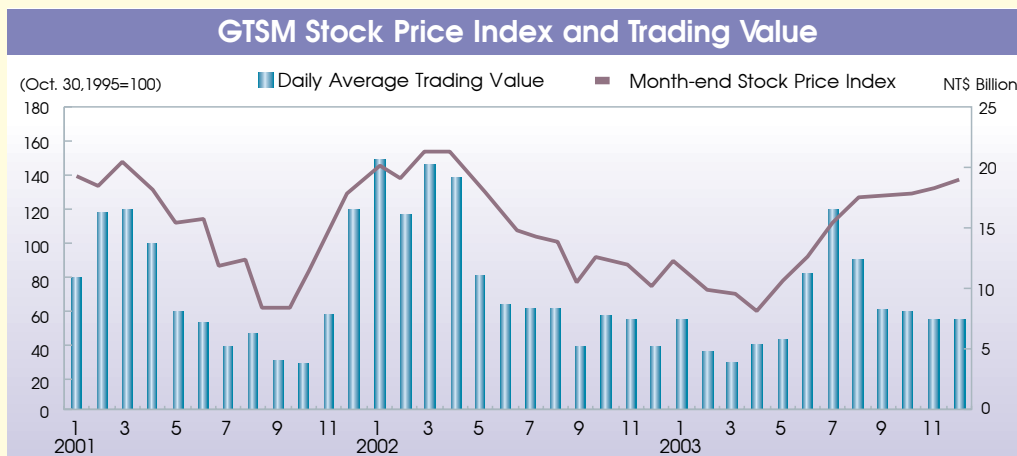
**Increase in the Number of Listed Companies**

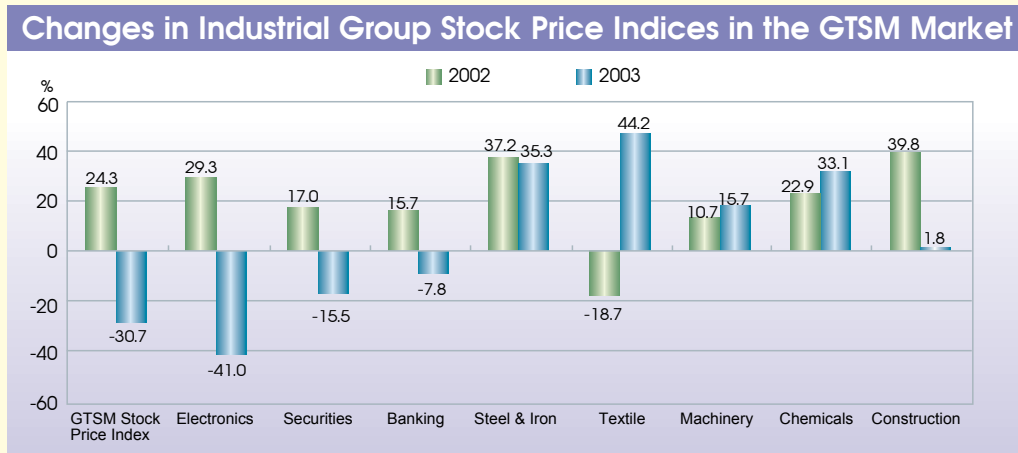
The number of listed companies in the GTSM market increased to 423 at the end of 2003, an increase of 39 companies from the previous year-end. The par value of total shares issued was posted at NT\$639.5 billion at the end of 2003, 1.9 percent higher than that of the previous year-end. Market capitalization was valued at NT\$1.2 trillion at the end of 2003, recording a considerable rise of 39.2 percent when compared with the previous year-end.

**Share Prices Rally After Early Decline**

The outbreak of the US-Iraq War and the SARS epidemic caused the GTSM stock price index to trend down during the first four months of the year and fall to the year-low of 79.6 points on May 2. However, the index reversed this trend from May onwards, mainly attributable to foreign institutional investors' large purchases of shares and domestic economic recovery. The index reached its year-high of 117.5 points on November 14, and then fluctuated in a narrow range along with institutional investors' profit-taking activities before year-end. The GTSM stock price index closed the year at 117.3 points, up by 24.3 percent from the previous year's 94.4 points. Among group indices, construction and steel and iron shares were the main gainers.

Both foreign institutional investors and local securities investment trust companies bought





a net of NT\$22 billion and NT\$5.8 billion, respectively. On the other hand, local securities dealers sold a net of NT\$2.8 billion for the year.

### Decline in Turnover due to the SARS

The daily average turnover in the GTSM market for the year decreased by 26.6 percent from the previous year's NT\$11.3 billion to NT\$8.3 billion, mainly as a result of the US-Iraq War and the outbreak of the SARS epidemic between February and May. The daily average sharply declined during that period and reached the bottom for the year of NT\$3.1 billion in March. From June to August, as the influences of the SARS epidemic were abating and foreign institutional investors were aggressively establishing their net buying positions, trading in the market became active with the daily average turnover exceeding NT\$10 billion in each month and reaching the year-high of NT\$17.2 billion in July. The daily average turnover decreased again during the last four months of the year and slipped to NT\$8.3 billion in December.