

23rd Asia Securities Forum Taiwan Market Report

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Association**

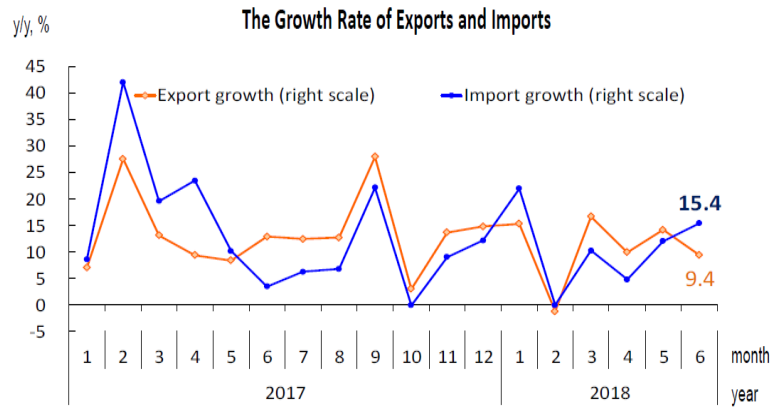
Content

- A. Taiwan's Economy Enjoys its Best Performance in a Decade**

- B. The Securities Market Is Improving**

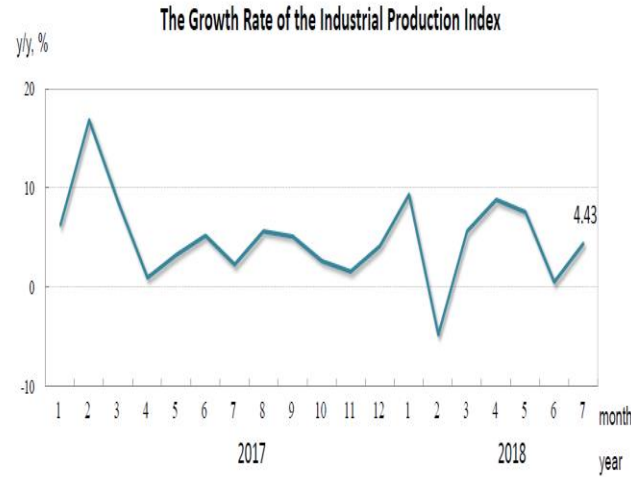
- C. Two Main Challenges Facing Taiwan**

A. The Economy Enjoys Its Best Performance in a Decade

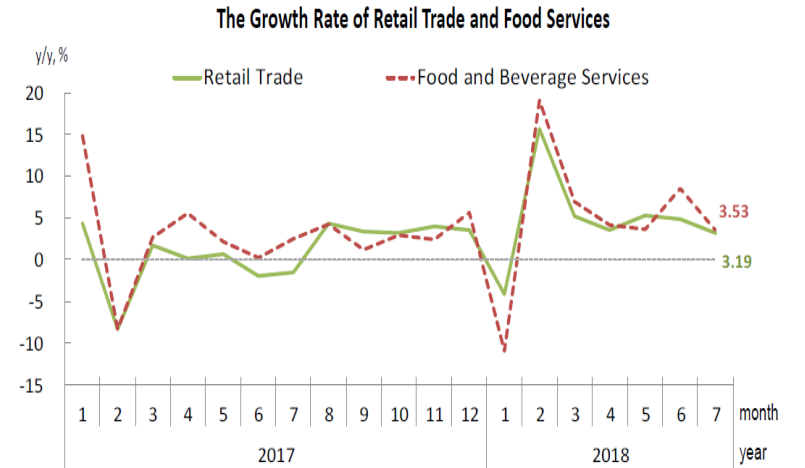


Note: Since FY2016, the general trade system applied for compilation of external trade statistics and the historical data has been revised to FY2001.

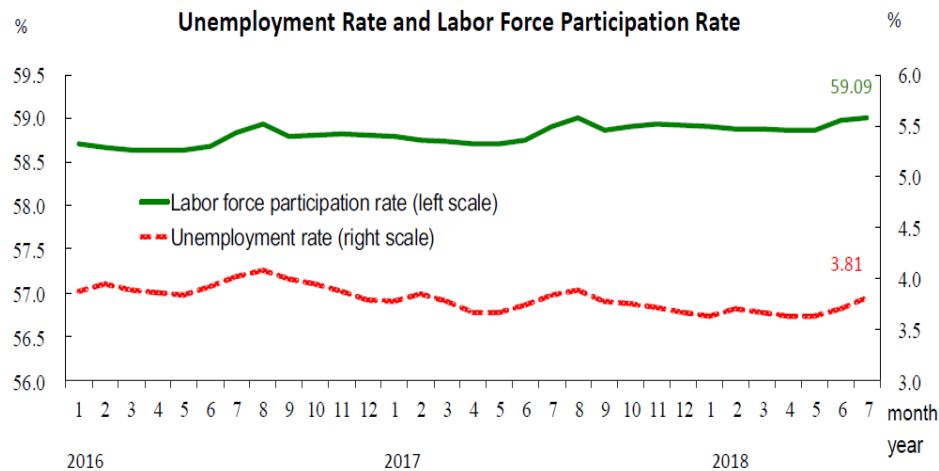
Source: Ministry of Finance, Sep. 2018



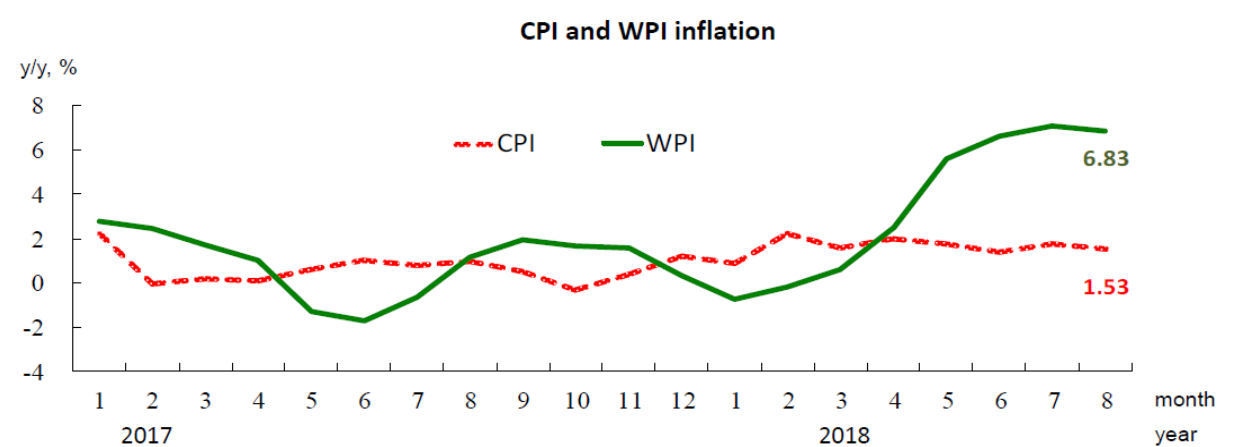
Source: Ministry of Economic Affairs, Aug. 2018



Source: Ministry of Economic Affairs, Aug. 2018



Source: DGBAS, Aug. 2018



Source: DGBAS Sep. 2018

B. The Securities Market is Improving

TAIEX	2015	2016	2017	2018 (1-8)
TAIEX Index	8,338	9,253	10,642	11,063
Market Capitalization (NT\$ Billion)	24,504	27,248	31,832	33,241
Market Capitalization to GDP (%)	146.11	158.86	182.62	186.07
P/E Ratio	13.46	16.51	15.66	14.59
Average Dividend Yield (%)	4.60	4.35	3.95	4.20
Total Trading Value (NT\$ Billion)	22,505	18,915	25,799	22,517
Daily Trading Value (NT\$ Billion)	92.23	77.52	104.87	138.14
Turnover Ratio (%)	77.55	64.60	78.41	63.58

C. Two Main Challenges Facing Taiwan

- I. The Impact of the U.S.- China Trade War on Taiwan's Industries and Capital Market**

- II. Fintech Development in Taiwan**

I. The Impact of the U.S.-China Trade War on Taiwan's Industries and Capital Market

Taiwan, caught in the middle, may be hit most

Long-Term Concerns:

- 1. Impact on Taiwan's position in the global supply chain**
- 2. Impact on the electronics-sector-based securities market**

I. The Impact of the U.S.-China Trade War on Taiwan's Industries and Capital Market

1. Impact on Taiwan's position in the global supply chain

- Taiwan is a main provider for the global supply chain in technology industry
- 40% of Taiwan's exports go to China
- Orders for key components are placed in Taiwan and final products are made in China, to be exported to the U.S.
- Fifteen out of the top 20 China-based companies exporting to the U.S. are Taiwan-funded

I. The Impact of the U.S.-China Trade War on Taiwan's Industries and Capital Market

2. Impact on Taiwan's electronics-sector-based securities market

- The electronics sector accounts for 54% of total market cap
- China's technology products exported to the U.S. rely on Taiwan's supply chain
- Taiwan's electronics/ICT sector will be hit if China's exports of technology products to the U.S. are hampered

I. The Impact of the U.S.-China Trade War on Taiwan's Industries and Capital Market

3. Three Dimensions

- Diversification strategy
- Assistance from the government & capital market for firms returning to Taiwan
- Implementation of the New Southbound Policy

II. Fintech Development in Taiwan

Efforts by the Taiwanese government

- Fintech Development Strategy White Paper (2016)
- Financial Technology Innovation and Experiment Act (2017)
- FinTechSpace, newly launched (September 2018)

II. Fintech Development in Taiwan

Two Issues:

1. A new supervisory mindset is needed

- High-degree of supervision for market order and protection of investors
- Incumbents' hesitance about developing Fintech
- Challenge in adjusting the mindset that has over-emphasized on planning, guidance and supervision

II. Fintech Development in Taiwan

2. Requirement for more funds and talent

- Room to grow in funds invested in Fintech from Taiwan's traditional financial sectors
- Brain drain problem

II. Fintech Development in Taiwan

3. Two Dimensions

- Balance between supervision and financial innovation
- Dynamic financial science and technology ecosystem

THANK YOU.