



US stocks to consolidate near-term before rising in 4Q23F

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Key message

As developed market countries' service PMI downtrend has been significant, we believe it could fall below the prosperity line before 4Q23. In the US, pressure on the financial system lingers due to high interest rates, while real estate prices have been bolstered by the structural supply-demand imbalance. Stock market earnings growth rate usually troughs two quarters ahead of the economy, thus we are positive on the US stock market earnings outlook (forward 12M), especially for 4Q23 or 2024. Overall, we believe US stocks will consolidate near-term before rising in 4Q23.

Major developed market countries seeing service PMI downtrend, which could fall below prosperity line before 4Q23

Developed countries were able to deliver stronger-than-expected economic growth in 1H23 thanks to a buoyant service sector. As such, any changes in the service sector, particularly a significant slowdown, could be signs of a forthcoming recession. The eurozone service PMI has declined over the past few months, with many countries suffering significant declines in July and August. In fact, the index fell below the 50-point watershed to 48.3 as the UK and Germany saw PMI readings nosedive in August. Meanwhile, the US service PMI also dipped from 52.3 in July to 51.0 (Figure 1), which is barely above the prosperity line, suggesting an economic slowdown is taking shape. Against such a backdrop, we estimate global service PMI could fall below 50.0 before 4Q23.

US financial system under pressure from high interest rates, but property prices have been shored up by supply shortage

During the 2Q23 earnings season, US financial stocks pulled back after strong rallies, as investors switched their attention back to negatives due to high interest rates, evidenced by upticks in delinquency rates. Notably, the 30-day delinquency rate has risen markedly (Figure 2), boosted by overdue credit card payments and auto loans. The 90-day delinquency rate has also increased substantially due to overdue credit card payments and auto loans (Figure 3). The impact of monetary policies usually has a lagged effect. We believe investors can't afford to overlook risk from high interest rate pressure on the US financial system.

On the other hand, the market had been concerned about falling housing prices. However, the issue seems minor, at least for residential property, as US residential real estate prices have been bolstered by the structural supply-demand imbalance. To be specific, since the US commenced deleveraging (especially real estate sector) during the financial crisis in 2008, residential investment has never reached past standards, resulting in undersupply (Figure 4). However, the desire of US citizens to purchase a house has steadily risen since 2016. Insufficient supply and strong demand has resulted in limited price downside. The negative wealth effect due to citizens' loan burden, which was induced by interest hikes, has been minor. US citizens bought houses aggressively in 2020-21, and purchases dipped in 2022 as rate hikes commenced. Currently, about 96% of US mortgages are fixed rate and around 70% of mortgage rates are under 4%. The real mortgage interest repayment pressure has not been significant. This can be evidenced by the unamortized effective mortgage rate remaining low, while the 30-year mortgage rate soared (Figure 5). In fact, the only major gap between the two figures occurred in the 1980s, when aggressive rate hikes began.

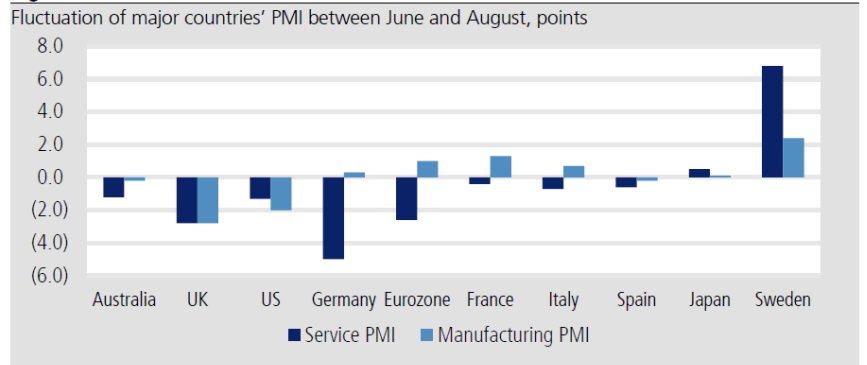
Positive on US stocks' 12M forward earnings, especially in 4Q23-2024

Most 2Q23 earnings for US listed companies have been announced (Figure 6). It is unsurprising that YoY earnings growth is lower than that of 1Q23, but results still beat expectations. As the market revised up expectations after 1Q23, the extent of positive surprise for 2Q23 was insignificant. However, we believe the US economy is trending down. As US stock earnings growth YoY usually bottoms two quarters before the economy, we believe 2Q23 could be the trough. Therefore, we have turned positive about the earnings outlook (forward 12M). Although positive results may be barely seen in 3Q23, earnings growth may recover significantly in 4Q23 or 2024. In addition, the negative/positive attitude ratio regarding the 3Q23 earnings outlooks of company CFOs has declined (Figure 7), echoing our positive expectations for earnings outlooks.

Conclusion – US stocks to consolidate near-term before rising in 4Q23F

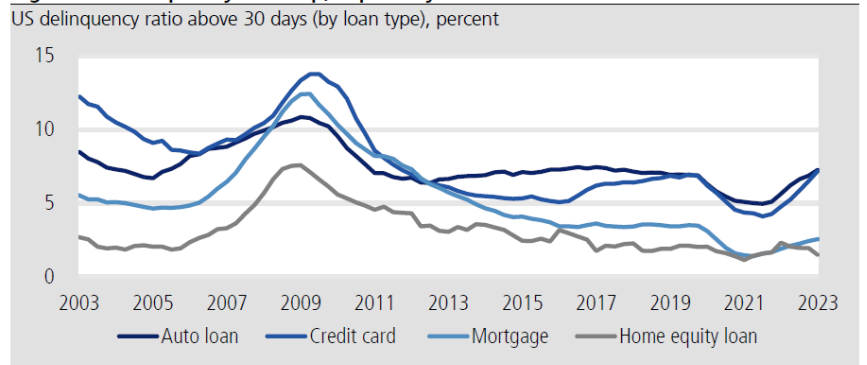
A significant downtrend can be seen among major global economies in late 3Q23. Even the US, which has fared relatively better, has suffered, especially the resilient manufacturing sector. This is a key factor that will determine whether the global economy will enter a recession. As 2Q23 earnings season comes to an end, we believe the downtrend in August will not be reversed, with stock market consolidation expected in the remainder of 3Q23. However, as the US economy remains resilient, and company earnings usually trough two quarters before the economy, we believe a US stock market rally will occur in 4Q23-2024. Investors should be cautious of the current interest rate's effect on inflation and the economy, especially the labor market. When inflation eases at an acceptable pace, the economy may register a soft landing, and the stock market will respond positively.

Figure 1: Downtrend for service sector PMI in major countries has become significant



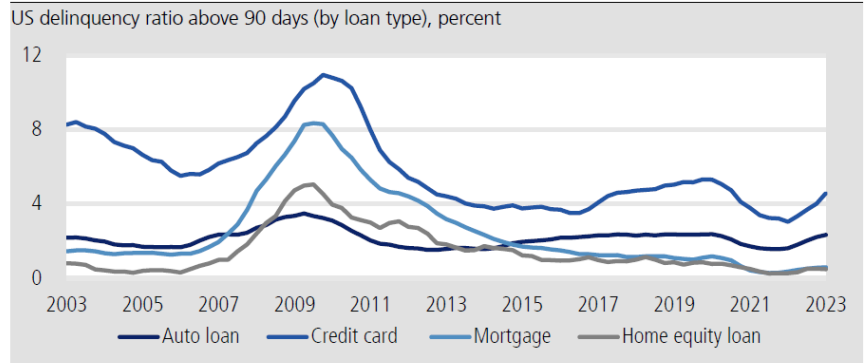
Note: No data for Italy, Spain and Sweden in August, thus data for the 3 countries indicate changes in June and July
Source: Bloomberg; KGI Research

Figure 2: Delinquency ratio up, especially for credit card & auto loans



Source: Bloomberg; KGI Research

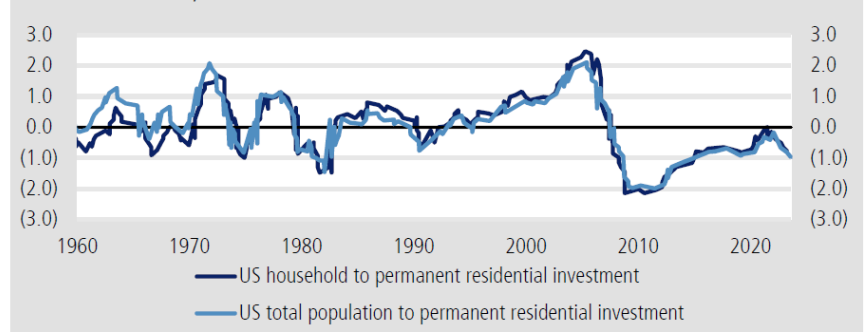
Figure 3: Delinquency ratio (above three months) also up



Source: Bloomberg; KGI Research

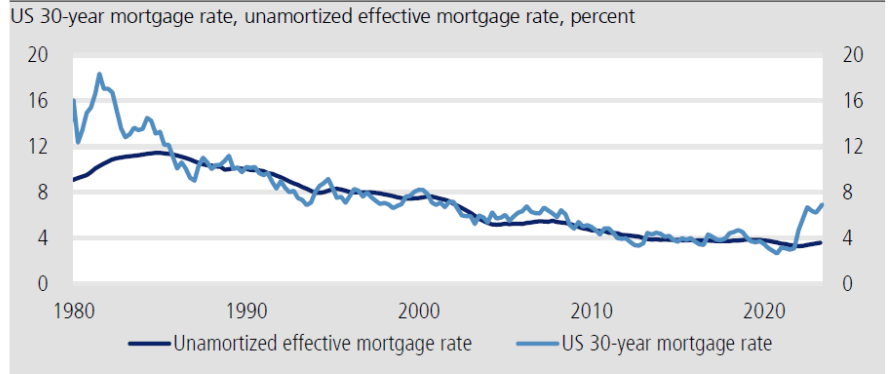
Figure 4: Supply of residential real estate far behind demand, thus prices have rebounded

US households ('000) to permanent residential investment, US total population to permanent residential investment, standard deviation



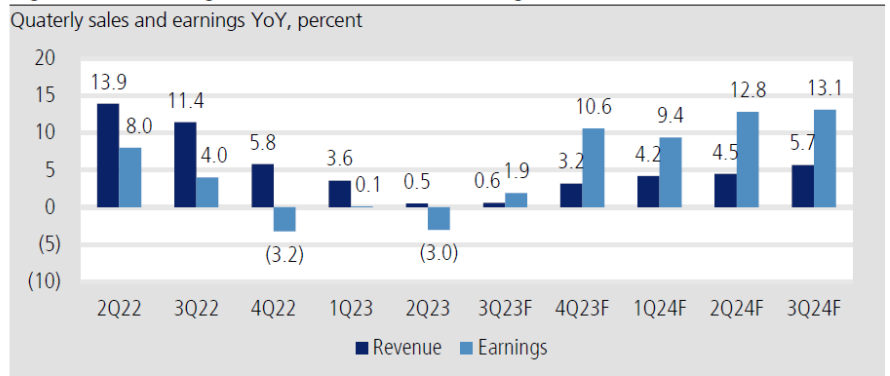
Source: Bloomberg; KGI Research

Figure 5: Actual loan payment is not high



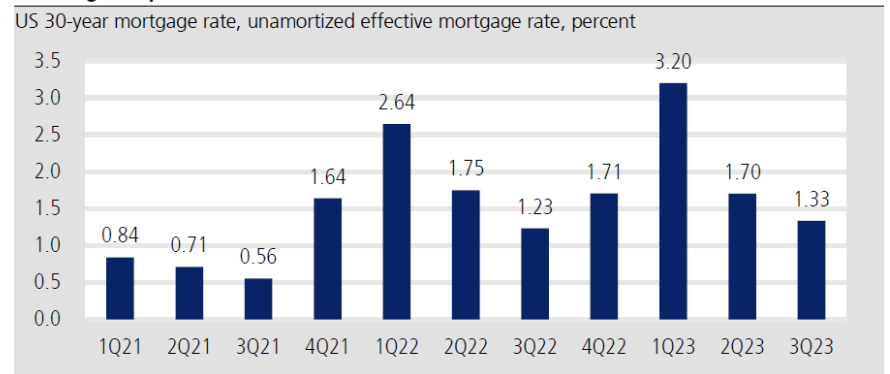
Source: Bloomberg; KGI Research

Figure 6: According to market forecasts, earnings YoY bottomed in 2Q23



Source: Bloomberg; KGI Research

Figure 7: Companys' negative to positive ratio for 3Q23 earnings outlook slipped, echoing our positive outlook for 3Q23



Source: Bloomberg; KGI Research

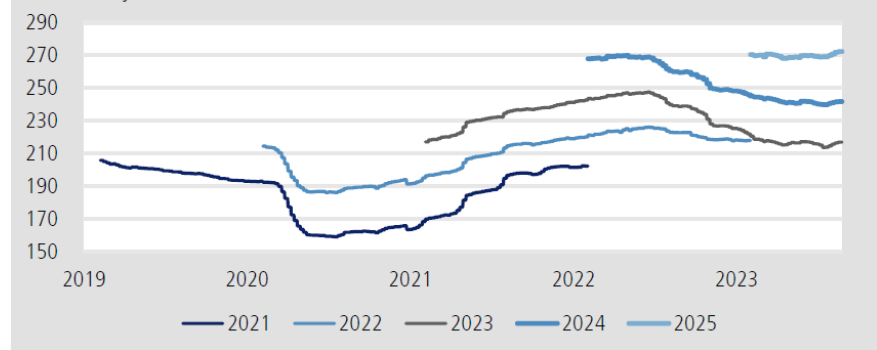
Figure 8: Major global political & economic events in the coming quarter

Date	Major event	Possible effect
September 14	ECB monetary policy meeting	May have probability of finally raising rates by 25bps; may discuss whether to cut rates earlier than US depending on the economic situation at that time
September 19-20	Fed FOMC meeting	May not raise rates; to express no rate cut in the near term
October 1	US government shutdown	The stopgap spending bill faced challenges from conservative lawmakers in August, posing a risk to the maturity of US government spending in October. The market is concerned about whether Moody's follows the other two credit rating agencies to downgrade US debts, which would cause volatility and raise yields in the short term
October 26	ECB monetary policy meeting	There may be no policy rate changes in this meeting if interest rates have been raised at the September meeting. If the economy downturns more than expected, investors may expect earlier interest rate cuts than in the US
October 31-November 1	Fed FOMC meeting	Leave interest rates unchanged and the dot plot shows a one-yard reduction in the year-end target rate. The market is focused on whether inflation and employment are moving in the direction of fulfilling rate cutting conditions
October/ November	The Third Plenary Session of the 20th Communist Party of China Central Committee	The market is focused on the Third Plenum for its economic reform focus. But with the current mindset of maintaining stability above all else, it may not be easy to introduce reforms or stimulus that are effective for the market.
December	China central economic working conference	Setting the economic development plan and growth target for next year; we expect the economic growth target to remain at about 5%
December 12-13	Fed FOMC meeting	May provide guidance for rate cutting conditions
December 14	ECB monetary policy meeting	May provide guidance for rate cutting conditions

Source: KGI Research

Figure 9: S&P 500 full-year EPS forecasts

S&P 500 full-year EPS forecasts, US\$



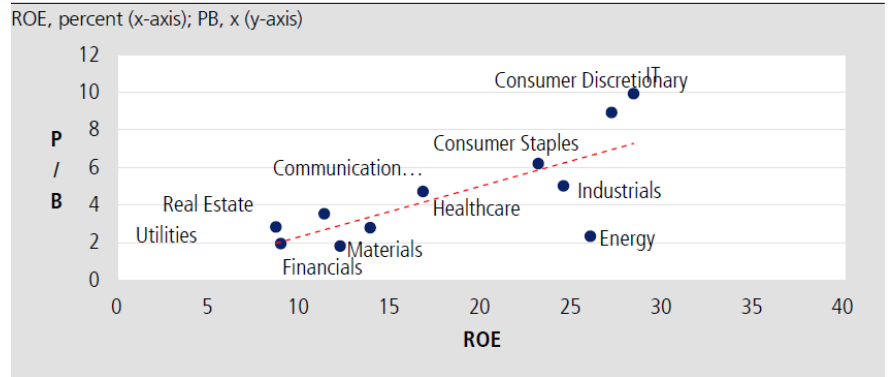
Source: Refinitiv; KGI Research

Figure 10: S&P 500 sector EPS growth forecasts

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	2022	2023	2024
S&P 500	0.1	(3.0)	1.9	10.6	9.4	12.8	4.8	2.2	12.1
Consumer Discretionary	56.2	54.9	22.0	28.8	15.3	6.7	(9.0)	37.7	15.7
Consumer Staples	0.4	8.7	2.4	6.1	6.7	7.8	0.1	3.7	8.5
Energy	21.0	(47.7)	(38.8)	(25.5)	(16.1)	15.6	152.3	(27.9)	2.0
Financials	7.7	9.9	15.1	11.6	5.3	6.3	(13.2)	11.0	8.3
Health Care	(6.2)	(26.7)	(10.0)	1.8	5.8	28.3	10.8	(13.1)	12.8
Industrials	(14.8)	15.7	13.2	6.5	14.3	8.1	6.3	14.7	12.7
Materials	27.0	(26.4)	(19.5)	(6.9)	(4.7)	3.3	32.1	(20.2)	6.7
Real Estate	(8.3)	(2.2)	(6.7)	14.9	5.4	0.7	0.0	1.0	5.8
Information Technology	(22.2)	4.7	5.3	14.7	18.9	15.4	8.7	3.9	17.3
Communication Services	(8.9)	16.0	34.6	49.3	26.8	17.9	(22.1)	22.3	18.2
Utilities	(21.8)	0.6	12.9	59.3	22.5	12.7	2.0	6.8	8.4

Source: Refinitiv; KGI Research

Figure 11: S&P 500 PB & ROE by sector



Source: Bloomberg; KGI Research

Appendix: ETF classified indices

Multi-asset

Global Stock & Bond (Growth)	AOR	iShares Core Growth Allocation ETF	Global Stock & Bond (Moderate)	AOM	iShares Core Moderate Allocation ETF
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Source: KGI Research

Equity

Region & country			Sectors & sub-sectors		
Global	ACWI	iShares MSCI ACWI ETF	Technology	XLK	Technology Select Sector SPDR Fund
Global ex. US	SPDW	SPDR Portfolio Developed World ex-US ETF	Energy	XLE	Energy Select Sector SPDR Fund
EAFE	IEFA	iShares Core MSCI EAFE ETF	Health Care	XLV	Health Care Select Sector SPDR Fund
US (S&P 500)	SPY	SPDR S&P 500 ETF Trust	Consumer Staples	XLK	Consumer Staples Select Sector SPDR Fund
Short S&P 500	SH	ProShares Short S&P500	Utilities	XLU	Utilities Select Sector SPDR Fund
3x Short S&P 500	SPXU	ProShares UltraPro Short S&P500	Consumer Discretionary	XLY	Consumer Discretionary Select Sector SPDR Fund
US (Dow Jones)	DIA	SPDR Dow Jones Industrial Average ETF Trust	Communication Services	XLC	Communication Services Select Sector SPDR Fund
3x Short Dow Jones	SDOW	ProShares UltraPro Short Dow30	Materials	XLB	Materials Select Sector SPDR Fund
US (Nasdaq 100)	QQQ	Invesco QQQ Trust	Financial	XLG	Financial Select Sector SPDR Fund
3x Long Nasdaq 100	TQQQ	ProShares UltraPro QQQ	3x Short Financials	FAZ	Direxion Daily Financial Bear 3X Shares
Short Nasdaq 100	PSQ	ProShares Short QQQ	Industrial	XLI	Industrial Select Sector SPDR Fund
3x Short Nasdaq 100	SOQQ	ProShares UltraPro Short QQQ	Real Estate	XLRE	Real Estate Select Sector SPDR Fund
Eurozone	EZU	iShares MSCI Eurozone ETF	3x Long Real Estates	DRN	Direxion Daily Real Estate Bull 3x Shares
Europe Hedge	HEJ	WisdomTree Europe Hedged Equity Fund	Semiconductor	SMH	VanEck Semiconductor ETF
Japan	EWJ	iShares MSCI Japan ETF	3x Long Semiconductor	SOXL	Direxion Daily Semiconductor Bull 3x Shares
United Kingdom	EWU	iShares MSCI United Kingdom ETF	Software	IGV	iShares Expanded Tech-Software Sector ETF
Germany	EWG	iShares MSCI Germany ETF	Retail	XRT	SPDR S&P Retail ETF
France	EWQ	iShares MSCI France ETF	Online Retail	IBUY	Amplify Online Retail ETF
Switzerland	EWL	iShares MSCI Switzerland ETF	Food & Beverage	PBJ	Invesco Dynamic Food & Beverage ETF
Sweden	EWD	iShares MSCI Sweden ETF	Bank	KBWB	Invesco KBW Bank ETF
EM	EEM	iShares MSCI Emerging Markets ETF	Regional Bank	KRE	SPDR S&P Regional Banking ETF
Asia ex. Japan	AAJ	iShares MSCI All Country Asia ex-Japan ETF	3x Long Big Bank	BNKU	MicroSectors U.S. Big Banks Index 3X Leveraged ETNs
China	FXI	iShares China Large-Cap ETF	Insurance	KIE	SPDR S&P Insurance ETF
China CSI 300	ASHR	Xtrackers Harvest CSI 300 China A-Shares ETF	Global Upstream Natural Resources	GUNR	FlexShares Morningstar Global Upstream Natural Resources Index Fund
3x Long China	YINN	Direxion Daily FTSE China Bull 3X Shares	Oil & Gas Exploration & Production	XOP	SPDR S&P Oil & Gas Exploration & Production ETF
3x Short China	YANG	Direxion Daily FTSE China Bear 3X Shares	Oil Services	OIH	VanEck Oil Services ETF
China companies listed on US	PGJ	Invesco Golden Dragon China ETF	Natural Gas Company	FCG	First Trust Natural Gas ETF
Hong Kong	EWH	iShares MSCI Hong Kong ETF	Metals & Mining	XME	SPDR S&P Metals & Mining ETF
South Korea	EWY	iShares MSCI South Korea ETF	Copper Miners	COPX	Global X Copper Miners ETF
Taiwan	0050.TW	Yuanta/P-shares Taiwan Top 50 ETF	Infrastructure Development	PAVE	Global X US Infrastructure Development ETF
India	INDA	iShares MSCI India ETF	Transportation	IYT	iShares US Transportation ETF
Brazil	EWZ	iShares MSCI Brazil ETF	Jets	JETS	U.S. Global Jets ETF
Vietnam	VNM	VanEck Vietnam ETF	Aerospace & Defense	ITA	iShares U.S. Aerospace & Defense ETF
			Biotech	XBI	SPDR S&P Biotech ETF
			Medical Devices	IHI	iShares U.S. Medical Devices ETF
			Homebuilder	XHB	SPDR S&P Homebuilders ETF
			Global Energy	IXC	iShares Global Energy ETF
			Global Metals & Mining Producers	PICK	iShares MSCI Global Metals & Mining Producers ETF
			Global Infrastructure	IGF	iShares Global Infrastructure ETF
			Europe Financials	EUFN	iShares MSCI Europe Financials ETF
			China Technology	CQQQ	Invesco China Technology ETF
			China Internet	KWEB	KraneShares CSI China Internet ETF
			Theme		
			ESG	ESGU	iShares ESG Aware MSCI USA ETF
			EM ESG	ESGE	iShares ESG Aware MSCI EM ETF
			Energy Storage	00902.TW	CTBC Battery & Energy Storage Technology ETF
			Clean Energy	ICLN	iShares Global Clean Energy ETF
			Solar	TAN	Invesco Solar ETF
			Autonomous & Electric Vehicles	DRIV	Global X Autonomous & Electric Vehicles ETF
			Lithium Battery	LIT	Global X Lithium & Battery Tech ETF
			Internet	SNSR	Global X Internet of Things ETF
			Robotics & Automation	ROBO	ROBO Global Robotics & Automation Index ETF
			Cybersecurity	CIBR	First Trust NASDAQ Cybersecurity ETF
			Cloud Computing	SKYY	First Trust Cloud Computing ETF
			Blockchain	BLOK	Amplify Transformational Data Sharing ETF
			Metaverse	METV	Roundhill Ball Metaverse ETF
			3x Long FAANG	FNGU	MicroSectors FANG+™ Index 3X Leveraged ETN
			Share Buyback	PKW	Invesco BuyBack Achievers™ ETF
			IPO	FPX	First Trust US Equity Opportunities ETF
			Inflation Beneficiaries	INFL	Horizon Kinetics Inflation Beneficiaries ETF
			Wide Moat	MOAT	VanEck Morningstar Wide Moat ETF
			Smart Grid	GRID	First Trust Nasdaq Clean Edge Smart GRID Infrastructure Index
			Volatility		
			Long	UVXY	ProShares Ultra VIX Short-Term Futures ETF
			2x Long	UVIX	2x Long VIX Futures ETF
			Short	SVIX	-1x Short VIX Futures ETF

Source: KGI Research

Fixed income

Aggregate bond			Investment grade		
Global Aggregate	BNDX	Vanguard Total International Bond ETF	Global IG	IBND	SPDR Bloomberg International Corporate Bond ETF
US Core Aggregate	AGG	iShares Core U.S. Aggregate Bond ETF	US IG	LQD	iShares iBoxx \$ Investment Grade Corporate Bond ETF
Treasury			US Short-term IG	VCSH	Vanguard Short-Term Corporate Bond ETF
US Treasury	GOVT	iShares U.S. Treasury Bond ETF	US Mid-term IG	VCIT	Vanguard Intermediate-Term Corporate Bond ETF
US Short-term (1-3M)	BIL	SPDR Bloomberg 1-3 Month T-Bill ETF	US Long-term IG	VCLT	Vanguard Long-Term Corporate Bond ETF
US Short-term (1-3Y)	SHY	iShares 1-3 Year Treasury Bond ETF	US AAA-A Corporate Bond	00751B.TW	Yuantas US 20+ Year AAA-A Corporate Bond ETF
US Mid-term (3-7Y)	IEI	iShares 3-7 Year Treasury Bond ETF	High Yield		
US Mid-term (7-10Y)	IEF	iShares 7-10 Year Treasury Bond ETF	US HY	HYG	iShares iBoxx \$ High Yield Corporate Bond ETF
US Long-term (10-20Y)	TLH	iShares 10-20 Year Treasury Bond ETF	US Short-term HY	SJNK	SPDR Bloomberg Short Term High Yield Bond ETF
US Long-term (20+Y)	TLT	iShares 20+ Year Treasury Bond ETF	Fallen Angel	ANGL	VanEck Fallen Angel High Yield Bond ETF
3x Long US Long-term	TMF	Direxion Daily 20+ Year Treasury Bull 3X Shares	EM		
3x Short US Long-term	TMV	Direxion Daily 20+ Year Treasury Bear 3x Shares	EM USD Bond	EMB	iShares J.P. Morgan USD Emerging Markets Bond ETF
TIPS	TIP	iShares TIPS Bond ETF	EM Local Currency Bond	EMLC	VanEck J. P. Morgan EM Local Currency Bond ETF
Short-term TIPS	VTIP	Vanguard Short-Term Inflation-Protected Securities ETF	EM Sovereign Debt	PCY	Invesco Emerging Markets Sovereign Debt ETF
Interest Rate Hedge	PFIX	Simplify Interest Rate Hedge ETF	Others		
AMT-Free Municipal	PZA	Invesco National AMT-Free Municipal Bond ETF	Convertible Securities	CWB	SPDR Bloomberg Convertible Securities ETF
			MBS	MBB	iShares MBS ETF
			Senior Loan	BKLN	Invesco Senior Loan ETF

Source: KGI Research

Commodity

Overall			Metals		
Commodity	DBC	Invesco DB Commodity Index Tracking Fund	Gold	GLD	SPDR Gold Shares
Dry Bulk Shipping	BDRY	Breakwave Dry Bulk Shipping ETF	Silver	SLV	iShares Silver Trust
Energy			2x Long Silver	AGQ	ProShares Ultra Silver
Crude Oil	USO	United States Oil Fund LP	Platinum	PPLT	abrdn Physical Platinum Shares ETF
2x Long Crude Oil	UCO	ProShares Ultra Bloomberg Crude Oil	Palladium	PALL	abrdn Physical Palladium Shares ETF
2x Short Crude Oil	SCO	ProShares UltraShort Bloomberg Crude Oil	Industrial Metal	DBB	Invesco DB Base Metals Fund
Natural Gas	UNG	United States Natural Gas Fund LP	Steel	SLX	VanEck Steel ETF
2x Long Natural Gas	BOIL	ProShares Ultra Bloomberg Natural Gas	Copper	CPER	United States Copper Index Fund
2x Short Natural Gas	KOLD	ProShares UltraShort Bloomberg Natural Gas	Aluminum	JJU	iPath Series B Bloomberg Aluminum Subindex Total Return ETN
Carbon Strategy	KRBN	KraneShares Global Carbon Strategy ETF	Nickel	JJN	iPath Series B Bloomberg Nickel Subindex Total Return ETN
Uranium (Company)	URA	Global X Uranium ETF	Rare Earth	REMX	VanEck Rare Earth/Strategic Metals ETF
			Agriculture		
			Agriculture	DBA	Invesco DB Agriculture Fund
			Soybean	SOYB	Teucrium Soybean Fund
			Wheat	WEAT	Teucrium Wheat Fund
			Corn	CORN	Teucrium Corn Fund

Source: KGI Research

Foreign exchange & cryptocurrency

Foreign exchange			Cryptocurrency		
US Dollar	UUP	Invesco DB US Dollar Index Bullish Fund	Bitcoin	BITO	ProShares Bitcoin Strategy ETF
Short US Dollar	UDN	Invesco DB US Dollar Index Bearish Fund	Short Bitcoin	BITI	ProShares Short Bitcoin Strategy ETF
Euro Dollar	FXE	Invesco CurrencyShares Euro Trust			
Short Euro Dollar	EUO	ProShares UltraShort Euro			
Japanese Yen	FXJ	Invesco CurrencyShares Japanese Yen Trust			
2x Long Japanese Yen	YCL	ProShares Ultra Yen			
2x Short Japanese Yen	YCS	ProShares UltraShort Yen			
British Pound	FXB	Invesco CurrencyShares British Pound Sterling Trust			
Australian Dollar	FXA	Invesco CurrencyShares Australian Dollar Trust			
Canadian Dollar	FXC	Invesco CurrencyShares Canadian Dollar Trust			
Swiss Franc	FXF	Invesco CurrencyShares Swiss Franc Trust			
Chinese Yuan	CYB	WisdomTree Chinese Yuan Strategy Fund			
EM Currency	CEW	WisdomTree Emerging Currency Strategy Fund			

Source: KGI Research

Key US economic data

Indicators	Units	2020	2021	2022	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	
GDP	GDP QoQ SAAR	QoQ % , SAAR				3.2			2.6			2.0			2.4		
	GDP YoY	YoY %	(2.8)	5.9	2.1	1.9			0.9			1.8			2.6		
Consumer prices	CPI	YoY %	1.2	4.7	8.0	8.3	8.2	7.7	7.1	6.5	6.4	6.0	5.0	4.9	4.0	3.0	3.2
	Core CPI	YoY %	1.7	3.6	6.2	6.3	6.6	6.3	6.0	5.7	5.6	5.5	5.6	5.5	5.3	4.8	4.7
	PCE price index	YoY %	1.1	4.0	6.3	6.3	6.3	6.1	5.7	5.3	5.4	5.0	4.2	4.3	3.8	3.0	
	Core PCE index	YoY %	1.3	3.5	5.0	4.9	5.2	5.1	4.8	4.6	4.7	4.7	4.6	4.6	4.6	4.1	
Labor market	Labor force participation rate	%	61.5	62.0	62.3	62.3	62.3	62.2	62.3	62.4	62.5	62.6	62.6	62.6	62.6	62.6	62.6
	Unemployment rate	%	8.1	5.4	3.6	3.7	3.5	3.7	3.6	3.5	3.4	3.6	3.5	3.4	3.7	3.6	3.5
	Non farm payrolls	'000	(9,289)	7,267	4,793	352	350	324	290	239	472	248	217	217	281	185	187
	Net Change in total employment in labor force	'000	(8,873)	6,120	4,793	422	156	(257)	(66)	717	894	177	577	139	(310)	273	268
	Challenger job cut announce	YoY %	15.8	(1.2)	(1.7)	30	68	48	417	129	440	410	319	176	287	25	(8)
	Opening/ hiring	x	1.07	1.57	1.74	1.57	1.74	1.70	1.72	1.80	1.67	1.62	1.61	1.69	1.54	1.62	
Economic activity & business condition	Avg. hourly earnings	YoY %	5.5	5.0	4.8	5.4	5.1	4.9	5.0	4.8	4.4	4.7	4.3	4.4	4.3	4.4	4.4
	Industrial production	YoY %	(7.2)	4.4	3.4	3.1	4.5	3.1	1.9	0.6	1.5	0.9	0.2	0.3	(0.0)	(0.8)	(0.2)
	Durable goods orders	YoY %	(4.6)	18.4	8.3	8.0	8.7	8.3	3.0	4.7	2.3	0.2	4.6	2.7	7.5	9.0	3.3
	Core capital goods orders	YoY %	(8.3)	12.8	6.5	8.2	5.6	5.0	3.2	1.0	5.6	2.7	1.9	1.0	3.2	1.4	0.6
	Total business inventory/ sales ratio	x	1.44	1.29	1.34	1.36	1.36	1.36	1.38	1.39	1.37	1.38	1.40	1.40	1.40	1.40	
	Manufacturing inventory/ sales ratio	x	1.62	1.49	1.47	1.47	1.47	1.46	1.47	1.49	1.48	1.49	1.48	1.50	1.49	1.49	
	Retail inventory/ sales ratio	x	1.34	1.15	1.24	1.27	1.27	1.25	1.27	1.30	1.27	1.28	1.30	1.29	1.30	1.30	
	ISM manufacturing index	Point	52.4	60.7	53.5	52.9	51.0	50.0	49.0	48.4	47.4	47.7	46.3	47.1	46.9	46.0	46.4
	ISM non-manufacturing index	Point	54.3	62.4	56.1	56.1	55.9	54.5	55.5	49.2	55.2	55.1	51.2	51.9	50.3	53.9	52.7
	ISM manufacturing index: new orders	Point	53.9	64.3	51.6	50.4	47.3	48.2	46.8	45.1	42.5	47.0	44.3	45.7	42.6	45.6	47.3
	Chicago Fed National activity Index	Point	(0.48)	0.37	0.01	0.20	0.11	(0.12)	(0.58)	(0.47)	0.43	(0.33)	(0.49)	0.07	(0.18)	(0.33)	0.12
	Conference board leading index	YoY %	(4.6)	6.6	0.9	(1.1)	(1.6)	(3.2)	(4.6)	(6.0)	(6.0)	(6.8)	(7.9)	(8.0)	(7.8)	(7.7)	(7.5)
	C&I Loans for large/medium - tightening lending standard	%	37.6	(15.1)	11.8			39.1				44.8		46.0		50.8	
C&I Loans for large/medium - stronger demand	%	(15.5)	(1.2)	12.4			(8.8)			(31.3)		(55.6)			(51.6)		
Housing market	Building Permits	'000, SAAR	1,479	1,740	1,666	1,586	1,588	1,555	1,402	1,409	1,354	1,482	1,437	1,417	1,496	1,441	1,443
	Housing starts	'000, SAAR	1,397	1,606	1,551	1,505	1,463	1,432	1,427	1,357	1,340	1,436	1,380	1,348	1,583	1,398	1,452
	New home sales	'000, SAAR	833	769	637	638	567	577	582	636	649	625	640	679	704	684	714
	Existing home sales	mn, SAAR	5.6	6.1	5.1	4.8	4.7	4.4	4.1	4.0	4.0	4.6	4.4	4.3	4.3	4.2	4.1
	NAHB housing market index	Point, SA	70	81	59	49	46	38	33	31	35	42	44	45	50	55	56
S&P/Case-Shiller 20-city composite home price index	YoY %	10.3	18.6	4.7	13.1	10.4	8.7	6.8	4.7	2.6	0.4	(1.2)	(1.7)	(1.8)			
Consumption	Personal expenditures	YoY % , SA	(3.0)	8.3	2.7	2.3	2.1	1.7	1.4	1.9	2.6	2.4	2.1	2.2	2.2	2.4	
	Retail sales	YoY %	0.9	18.2	9.7	10.2	9.4	8.8	6.1	6.0	7.4	5.3	2.2	1.3	2.1	1.6	3.2
	Retail sales ex-autos	YoY %	1.7	17.2	11.3	11.0	10.3	9.6	7.4	7.2	8.4	6.4	2.5	1.6	1.4	0.6	2.2
	Domestic vehicles sales	mn, SA	173.0	179.2	164.8	13.2	13.5	14.9	14.1	13.3	15.7	14.9	14.8	15.9	15.1	15.7	15.7
	Conference board consumer confidence	Point	101.0	112.7	104.5	103.6	107.8	102.2	101.4	109.0	106.0	103.4	104.0	103.7	102.5	110.1	117.0
Michigan Consumer Sentiment Index	Point	81.5	77.6	59.0	58.2	58.6	59.9	56.8	59.7	64.9	67.0	62.0	63.5	59.2	64.4	71.6	
Fiscal	Budget balance	As % of GDP	(15.4)	(10.6)	(5.4)	(3.9)	(5.3)	(5.0)	(5.2)	(5.4)	(6.0)	(6.1)	(6.8)	(7.3)	(8.0)	(8.5)	(8.4)
	Current account balance	As % of GDP	(2.8)	(3.6)	(3.8)		(3.8)			(3.7)			(3.4)				
Int'l balance	Net foreign securities transactions	US \$bn	505	907	1,321	198.3	117.7	67.8	171.5	152.8	30.8	92.4	207.2	131.2	23.6	195.9	
	Federal funds rate	%	0.25	0.25	4.50	2.50	3.25	3.25	4.00	4.50	4.50	4.75	5.00	5.00	5.25	5.25	5.50
Monetary & financial	10-Year treasury yield	%	0.91	1.51	3.87	3.19	3.83	4.05	3.61	3.87	3.51	3.92	3.47	3.42	3.64	3.84	3.96
	Dollar index	Point	89.9	95.7	103.5	108.7	112.1	111.5	106.0	103.5	102.1	104.9	102.5	101.7	104.3	102.9	101.9

Source: Bloomberg; KGI Research

Key Taiwan economic data

Indicators		Units	2020	2021	2022	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	
GDP	GDP YoY	YoY %	3.4	6.5	2.4	3.6			(0.8)			(3.3)			1.4			
Consumer prices	CPI	YoY %	(0.2)	2.0	3.0	2.7	2.8	2.7	2.4	2.7	3.1	2.4	2.4	2.4	2.0	1.8	1.9	
	Core CPI	YoY %	0.7	1.9	2.7	2.7	2.8	3.0	2.9	2.7	3.0	2.6	2.6	2.7	2.6	2.6	2.7	
Labor market	Unemployment rate	%	3.7	3.7	3.6	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.5	3.5	3.4	
Economic activity	Industrial production	YoY %	8.8	14.7	(1.7)	(1.8)	(8.5)	(8.1)	(9.2)	(11.5)	(23.6)	(10.0)	(16.0)	(22.6)	(15.7)	(17.3)	(15.2)	
	Markit Taiwan manufacturing PMI	Point	58.5		47.7	42.7	42.2	41.5	41.6	44.6	44.3	49.0	48.6	47.1	44.3	44.8	44.1	
	NDC monitoring light signal					Green	Yellow-blue	Yellow-blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
	NDC monitoring indicators	Point	24.3	39.0	24.2	23.0	17.0	18.0	12.0	12.0	11.0	10.0	11.0	11.0	11.0	12.0	13.0	15.0
	NDC composite leading index	YoY %	(0.5)	4.5	(3.2)	(4.9)	(6.1)	(6.9)	(7.1)	(6.8)	(6.2)	(5.6)	(5.3)	(4.9)	(4.4)	(3.8)	(3.3)	
	NDC composite coincident index	YoY %	(0.7)	7.1	(1.2)	(2.0)	(4.6)	(7.2)	(9.6)	(11.7)	(13.2)	(14.1)	(14.4)	(14.0)	(13.0)	(11.6)	(9.8)	
Consumption	Retail sales	YoY %	0.2	3.3	7.4	12.0	7.8	2.1	1.8	9.4	4.3	4.6	7.6	7.5	17.1	13.9	5.3	
Trade	Exports	US\$bn	345.2	446.6	479.7	40.3	37.5	39.9	36.1	35.8	31.5	31.1	35.2	36.0	36.1	32.3	38.7	
	Imports	US\$bn	285.8	381.3	428.1	37.4	32.5	37.0	32.7	31.0	29.2	28.7	31.0	29.3	31.3	26.4	30.3	
	Trade balance	US\$bn	59.4	65.3	51.6	3.0	5.0	3.0	3.4	4.8	2.3	2.4	4.2	6.7	4.9	6.0	8.5	
	Export growth	YoY %	4.9	29.4	7.4	1.9	(5.3)	(0.5)	(13.1)	(12.1)	(21.2)	(17.1)	(19.1)	(13.3)	(14.1)	(23.4)	(10.4)	
	Import growth	YoY %	0.1	33.4	12.3	3.3	(2.6)	8.2	(9.2)	(11.4)	(16.8)	(9.4)	(20.1)	(20.3)	(21.8)	(29.9)	(20.9)	
	Export orders	US\$bn	533.7	674.1	666.8	54.6	60.9	55.4	50.1	52.2	47.5	42.1	46.6	42.5	45.7	44.2	48	
	Export order growth	YoY %	10.1	26.3	(1.1)	2.0	(3.1)	(6.3)	(23.5)	(23.2)	(19.3)	(18.3)	(25.7)	(18.1)	(17.6)	(24.9)	(12.0)	
Monetary & financial	M1B	YoY %	16.2	12.8	4.1	7.6	6.6	5.2	4.4	4.1	2.7	2.0	2.0	2.7	3.3	2.4	3.7	
	M2	YoY %	8.5	8.0	7.1	6.9	6.8	7.3	7.4	7.1	6.7	6.8	6.6	6.7	6.6	5.9	6.9	
	Foreign reserves	US\$bn	529.9	548.4	554.9	545.5	541.1	542.8	552.2	554.9	557.1	558.4	560.3	561.1	562.9	564.8	566.5	
	Rediscount rate	%	1.1	1.1	1.8	1.5	1.6	1.6	1.6	1.8	1.8	1.8	1.9	1.9	1.9	1.9	1.9	
	Exchange rate	USD/TWD	28.3	27.7	30.7	30.4	31.8	32.2	30.9	30.7	30.0	30.5	30.5	30.7	30.8	31.1	31.4	

Source: Bloomberg; KGI Research

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