



Hawkish Fed stance: stocks under pressure near term; long-term outlook remains to be seen

US stocks to remain in consolidation mode near term, followed by rallies in 4Q23; growth stocks under pressure amid high interest rates

Key message

We think the September FOMC meeting means two things to US stock markets: higher discount to valuation and better-than-expected fundamentals. However, as the service sector is clearly losing steam, we think over-expectations for an economic soft landing could result in later and milder monetary easing by the Fed, consequently adding risks of recession. Also, the Fed may raise the neutral rate, and the band of risk-free interest rate could move upward along with it, boding ill for stock valuations. Overall, we expect US stocks to remain in a consolidation mode in the near term, followed by new rallies in 4Q23. The pressure is heavier on growth stocks from high interest rates.

What September FOMC meeting means to US stock markets: higher discount to valuation and better-than-expected fundamentals

The FOMC meeting on September 20 surprised the market considerably, with the Fed shrinking its projected rate cuts for 2024 to 50bps from the 100bps previously indicated on their dot plot. Lower unemployment, higher GDP growth forecasts, and slightly lower inflation indicate the economy has fared decently, which we see as Fed acknowledgement of easing inflationary pressure. It seems that the Fed is feeling more confident about an economic soft landing than before, although the confidence is not emphasized in their statement. However, we believe the Fed outlook for a soft landing is even more positive than the market's, especially in its projected unemployment rate past 2023. Specifically, the Fed expects the 2024-25F unemployment rate to drop to 4.1%, near the estimated 'natural' rate of 4.0%. This is down markedly from their projection of 4.5%, six months ago.

The result of the meeting means two things for US stock markets, at least in the near term: (1) a higher risk-free interest rate, which is essentially a discount rate for stocks; and (2) better-than-expected economic fundamentals. The former clearly bodes ill for stock prices and valuations, but the latter is actually a favorable stock catalyst. The extent to which it has already been priced in, however, remains to be seen.

Service sector slowdown is a definite trend; complacency about soft landing will lead to later and milder monetary easing, consequently adding risks of recession

While we agree the odds of a US economic soft landing have become much higher, and a recession in 2023 is unlikely, we note the probability of a moderate hard landing in the long term is still slightly higher than that of a soft landing in 2024. A key factor to watch is growing divergence in the global economy, both by region and sector, despite the economic resilience of the US. We believe the upward revisions to global main economies' growth forecasts, which started in early 2023, are about to end. While the market is still raising 2023 growth forecasts for the US and Japan, the rosier outlook for the eurozone ground to a halt in April (Figure 1). We believe deterioration in the eurozone economies will eventually take a toll on the US. Sector-wise, although the manufacturing sector has showed signs of recovery (Figure 2), which stretch beyond the US, the service sector has been declining at a faster pace, like we argued in mid-2023, with noteworthy MoM declines in service PMI of major European countries all falling below the prosperity line (Figure 3). Based on the movement of US service PMI, we think the US economy is in a clear downtrend, and if the Fed delays or scales down rate cuts based on excessive optimism, the risks of the US economy heading into recession will actually be higher and not the other way around.

Fed may raise neutral rate in future; higher band of risk-free interest rate will have long-term impact on stock valuations

In addition to the aforesaid fundamental risk (of soft landing expectations), the market is clearly aware of the impact of a rising risk-free interest rate. 10-year Treasury yields, which have risen by more than 40bps since August, have not yet had an appreciable impact on stock valuations. However, the markets may have underestimated the risk of such impact extending longer than expected. US stock markets have been in a consolidation mode since August. So far, it is small-cap stocks, not growth stocks, which have suffered the most significant declines (Figure 4). Here's our interpretation: on the one hand, small caps were the previous market outperformers, so it makes sense that they have pulled back more significantly this time. Also, as small-caps are more sensitive to cyclical economic changes, the marked corrections we have seen among small-caps could mean that the economic outlook may not be as positive as many have hoped for. On the other hand, bond issuance by the Department of Treasury, increased term premiums, and potential upward revision of the neutral interest rate in the future, have both created upside for the 10-year Treasury yield. Should it remain at high levels longer than expected, it will bode ill for growth stock valuations (Figure 5). That said, we believe small-caps will face more downside pressure than growth stocks in the near term.

The potential upward revision of the neutral rate is anything but baseless speculation, having been discussed among Fed governors for quite some time. According to the latest Fed forecast, the US economy will have reached an equilibrium of GDP, unemployment and inflation by 2026, and so its policy rate for 2026 could represent the neutral rate (the real interest rate that keeps the economy at maximum output while keeping inflation constant). However, the Fed guides 2026F policy rate at 2.9%, above our perceived nominal neutral rate of 2.5% (2% inflation plus 0.5% real neutral rate). This means the long-term neutral rate could be revised up, moving the entire band of 10-year Treasury yield up along with it. This would serve to subject stocks to a higher discount rate, with long-term impact on stock valuations.

Conclusion - US stocks to consolidate further near term, followed by rallies in 4Q23; growth stocks under pressure amid high interest rates

US stock markets retreated markedly in the two days subsequent to the September FOMC meeting, as investors expected high interest rates to undermine stock valuations. This more than offset the positive factor of rising economic expectations. However, the Fed's increased optimism about a soft landing in 2024 leads us to fear that monetary easing may arrive too little, too late, to avoid a US recession. Investors should also pay attention to upward revision of neutral interest rate by the Fed, likely in 2024, as it will structurally push up the risk-free interest rate and hurt stock valuations as a result. As such, we believe US stocks will consolidate at current levels before the aforesaid near-term negatives are fully priced in. When the Fed is clearer about its monetary policies in mid-4Q23, and when corporate earnings recovery has solidified, we believe US stocks will undergo new rallies until 1Q24. Afterwards, US stock markets will remain weak through 3Q24, given a slowdown in economic growth and a traditional three-quarter hiatus before the presidential election, before regaining momentum in 4Q24. Growth stocks will come under pressure in the face of lingering high interest rates unless some company- or sector-specific themes emerge.

Figure 1: The upward revisions to global economic growth forecasts are about to end

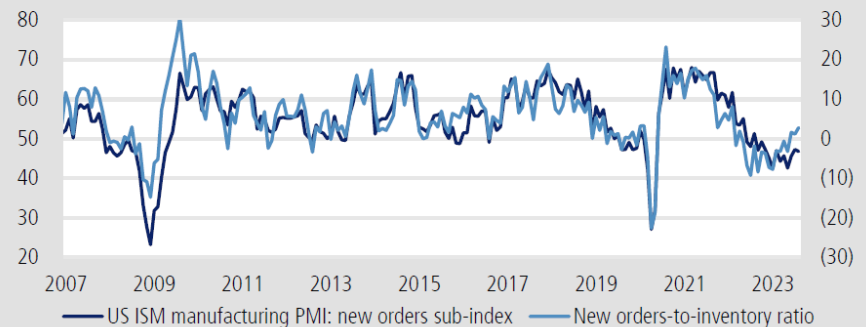
Main economies' GDP growth forecasts (median), percent

	2023F		2024F				2022	2023F	2024F
	Q3	Q4	Q1	Q2	Q3	Q4			
Global							3.5	2.7	2.6
DM	1.2	0.6	0.5	1.0	1.3	1.6	2.8	1.5	1.1
EM	3.8	4.3	3.7	4.1	4.3	4.4	3.7	3.8	4.1
US	2.1	1.5	0.9	0.5	0.8	1.1	2.1	2.0	0.9
Eurozone	0.2	0.4	0.6	0.6	0.9	1.3	3.3	0.6	0.8
UK	0.5	0.4	0.3	0.4	0.4	0.8	4.3	0.4	0.5
Japan	1.9	2.0	1.3	0.5	0.9	1.1	1.1	1.8	1.0
China	4.3	5.0	4.1	0.0	4.7	4.8	3.0	5.1	4.5

Source: Bloomberg; KGI Research

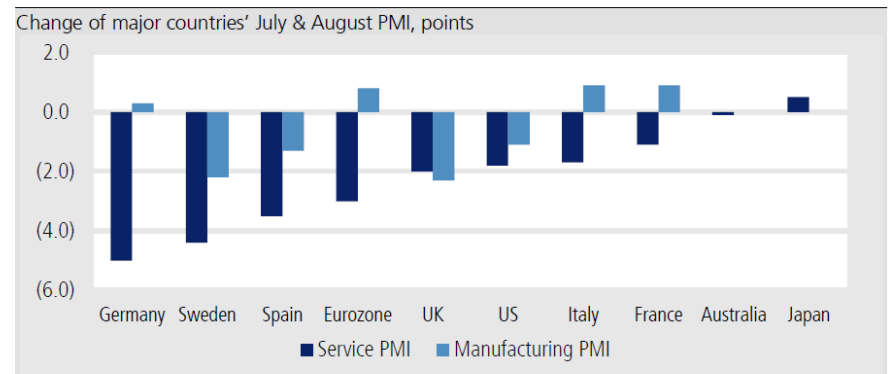
Figure 2: US manufacturing sector has bottomed up

ISM manufacturing PMI: new orders sub-index, percent (LHS); new orders-to-inventory ratio, percent (RHS)



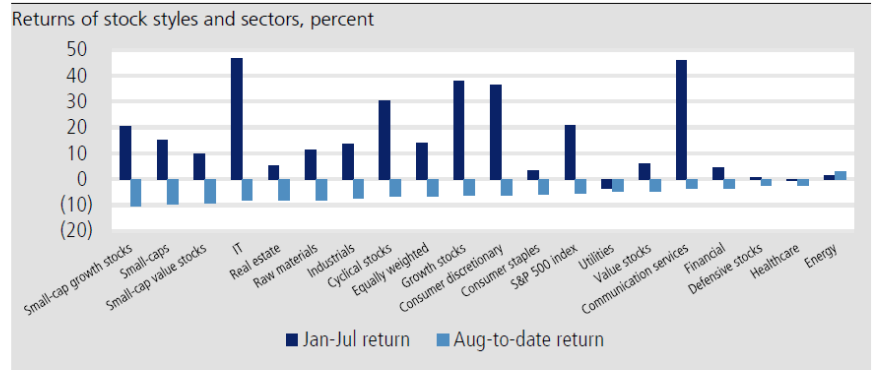
Source: Bloomberg; KGI Research

Figure 3: With noteworthy declines in service PMI of major European countries all falling below the prosperity line, signs of future economic recession are more clear



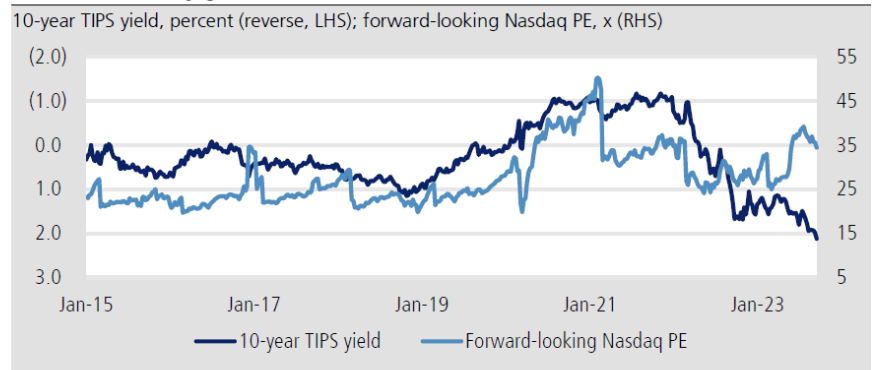
Source: BCA Research; KGI Research

Figure 4: Small-cap stocks have suffered the most significant declines since August



Source: Refinitiv; KGI Research

Figure 5: Upside risks of near-term real interest rate weigh on stock markets that are dominated by growth stocks

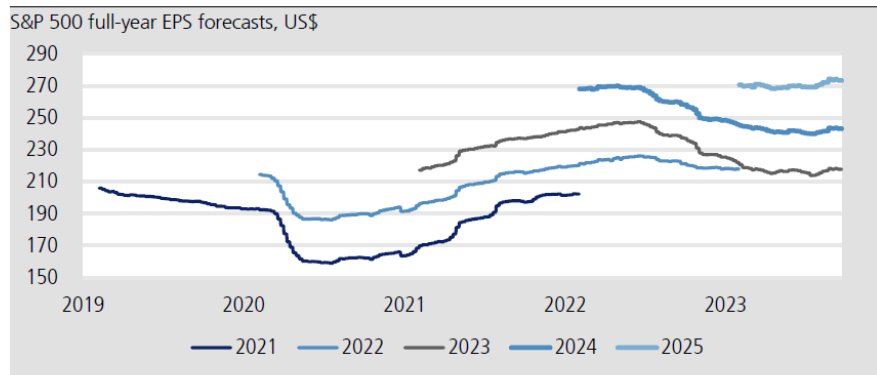


Source: Bloomberg; EPFR; KGI Research

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

Date	Major event	Possible effect
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 is a high probability that interest rate increases will be suspended. 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	There is a chance to raise interest rates by one yard, and the dot plot shows that the interest rate target will be raised by one yard by the end of the year. The market postpones the timing of future interest rate cuts and focuses on the impact that high interest rates will have on inflation and the economy
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


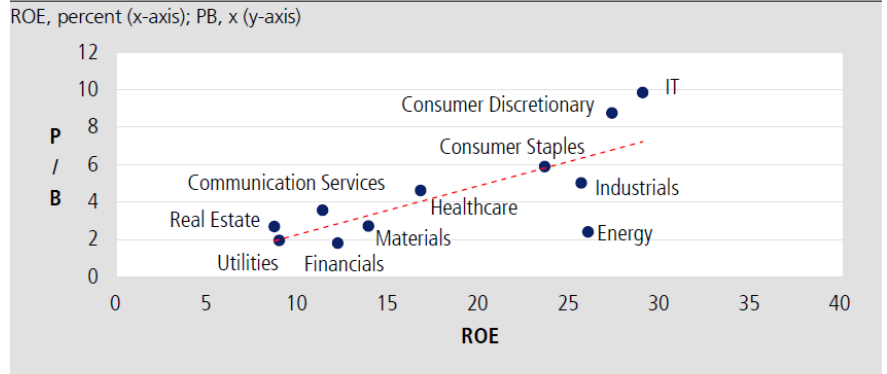
Source: Refinitiv; KGI Research

Figure 10: S&P 500 sector EPS growth forecasts

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	2022	2023	2024
S&P 500	0.1	(2.8)	1.5	10.9	9.5	12.7	4.8	2.3	12.2
Consumer Discretionary	56.2	57.0	22.5	29.0	15.9	6.7	(9.0)	38.8	15.4
Consumer Staples	0.4	8.5	1.3	5.2	6.5	7.6	0.1	3.2	8.4
Energy	21.0	(47.7)	(36.5)	(22.9)	(13.7)	17.9	152.3	(26.6)	2.3
Financials	7.7	9.3	12.0	11.8	5.4	6.4	(13.2)	10.0	8.3
Health Care	(6.2)	(26.7)	(9.7)	2.4	6.1	28.3	10.8	(12.8)	13.2
Industrials	(14.8)	15.7	9.1	6.5	13.3	7.6	6.3	13.8	13.0
Materials	27.0	(26.4)	(20.2)	(7.3)	(4.9)	4.2	32.1	(20.3)	6.7
Real Estate	(8.3)	(2.1)	(6.8)	14.4	5.2	0.5	0.0	0.9	5.7
Information Technology	(22.2)	5.0	5.7	14.7	18.7	14.7	8.7	4.3	17.5
Communication Services	(8.9)	15.7	34.2	49.2	26.5	17.5	(22.1)	22.2	18.1
Utilities	(21.8)	0.6	12.4	55.2	19.8	11.7	2.0	6.5	8.7

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	XLV	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

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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	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	
GDP	GDP QoQ SAAR	QoQ %, SAAR				3.2			2.6			2.0			2.1			
	GDP YoY	YoY %	(2.8)	5.9	2.1	1.9			0.9			1.8			2.5			
Consumer prices	CPI	YoY %	1.2	4.7	8.0	8.2	7.7	7.1	6.5	6.4	6.0	5.0	4.9	4.0	3.0	3.2	3.7	
	Core CPI	YoY %	1.7	3.6	6.2	6.6	6.3	6.0	5.7	5.6	5.5	5.6	5.5	5.3	4.8	4.7	4.3	
	PCE price index	YoY %	1.1	4.0	6.3	6.3	6.1	5.7	5.3	5.4	5.0	4.2	4.3	3.8	3.0	3.3		
	Core PCE index	YoY %	1.3	3.5	5.0	5.2	5.1	4.8	4.6	4.7	4.7	4.6	4.6	4.5	4.1	4.2		
Labor market	Labor force participation rate	%	61.5	62.0	62.3	62.3	62.2	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	3.5	3.7	3.6	3.5	3.4	3.6	3.5	3.4	3.7	3.6	3.5	3.8	
	Non farm payrolls	'000	(9,289)	7,267	4,793	350	324	290	239	472	248	217	217	281	105	157	187	
	Net Change In total employment in labor force	'000	(8,873)	6,120	4,793	156	(257)	(66)	717	894	177	577	139	(310)	273	268	222	
	Challenger job cut announcement	YoY %	15.8	(1.2)	(1.7)	68	48	417	129	440	410	319	176	287	25	(8)	267	
	Openings/ hiring	x	1.07	1.57	1.74	1.74	1.70	1.72	1.80	1.67	1.62	1.61	1.69	1.54	1.54	1.53		
	Avg. hourly earnings	YoY %	5.5	5.0	4.8	5.1	4.9	5.0	4.8	4.4	4.7	4.3	4.4	4.3	4.4	4.4	4.4	
Economic activity & business condition	Industrial production	YoY %	(7.2)	4.4	3.4	4.5	3.1	1.9	0.6	1.5	0.9	0.2	0.3	0.0	(0.3)	(0.0)	0.3	
	Durable goods orders	YoY %	(4.6)	18.4	8.3	8.7	8.3	3.0	4.7	2.3	0.2	4.6	2.7	7.5	9.0	3.1		
	Core capital goods orders	YoY %	(8.3)	12.8	6.5	5.6	5.0	3.2	1.0	5.6	2.7	1.9	1.0	3.2	1.4	0.5		
	Total business inventory/ sales ratio	x	1.44	1.29	1.34	1.36	1.36	1.38	1.39	1.37	1.38	1.40	1.40	1.40	1.40	1.39		
	Manufacturing inventory/ sales ratio	x	1.62	1.49	1.47	1.47	1.46	1.47	1.49	1.48	1.49	1.48	1.50	1.49	1.48	1.48		
	Retail inventory/ sales ratio	x	1.34	1.15	1.24	1.27	1.25	1.27	1.30	1.27	1.28	1.30	1.29	1.30	1.30	1.30		
	ISM manufacturing index	Point	52.4	60.7	53.5	51.0	50.0	49.0	48.4	47.4	47.7	46.3	47.1	46.9	46.0	46.4	47.6	
	ISM non-manufacturing index	Point	54.3	62.4	56.1	55.9	54.5	49.2	55.2	55.1	51.2	51.9	50.3	53.9	52.7	54.5		
	ISM manufacturing index: new orders	Point	53.9	64.3	51.6	47.3	48.2	46.8	45.1	42.5	47.0	44.3	45.7	42.6	45.6	47.3	46.8	
	Chicago Fed National activity Index	Point	(0.48)	0.37	0.01	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	(1.6)	(3.2)	(4.6)	(6.0)	(6.8)	(7.9)	(8.1)	(7.9)	(7.8)	(7.5)	(7.6)		
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	1,588	1,555	1,402	1,409	1,354	1,482	1,437	1,417	1,496	1,441	1,443	1,543	
	Housing starts	'000, SAAR	1,397	1,606	1,551	1,463	1,432	1,427	1,357	1,340	1,436	1,380	1,348	1,583	1,418	1,447	1,283	
	New home sales	'000, SAAR	833	769	637	567	577	582	636	649	625	640	679	704	684	714		
	Existing home sales	mn, SAAR	5.6	6.1	5.1	4.7	4.4	4.1	4.0	4.0	4.6	4.4	4.3	4.3	4.2	4.1	4.0	
	NAHB housing market index	Point, SA	70	81	59	46	38	33	31	35	42	44	45	50	55	56	50	
	S&P/Case-Shiller 20-city composite home price index	YoY %	10.3	18.6	4.7	10.4	8.7	6.8	4.7	2.6	0.4	(1.2)	(1.7)	(1.8)	(1.2)			
Consumption	Personal expenditures	YoY %, SA	(3.0)	8.3	2.7	2.1	1.7	1.4	1.9	2.6	2.4	2.1	2.2	2.2	2.4	3.0		
	Retail sales	YoY %	0.9	18.2	9.7	9.4	8.8	6.1	6.0	7.4	5.3	2.2	1.3	2.1	1.5	2.6	2.5	
	Retail sales ex-autos	YoY %	1.7	17.2	11.4	10.3	9.6	7.4	7.2	8.4	6.4	2.5	1.6	1.4	0.5	1.6	2.0	
	Domestic vehicles sales	mn, SA	173.0	179.2	164.8	13.5	14.9	14.1	13.3	15.7	14.9	14.8	15.9	15.1	15.7	15.7	15.0	
	Conference board consumer confidence	Point	101.0	112.7	104.5	107.8	102.2	101.4	109.0	106.0	103.4	104.0	103.7	102.5	110.1	114.0	106.1	
Michigan Consumer Sentiment Index	Point	81.5	77.6	59.0	58.6	59.9	56.8	59.7	64.9	67.0	62.0	63.5	59.2	64.4	71.6	69.5		
Fiscal	Budget balance	As % of GDP	(15.4)	(10.6)	(5.4)	(5.3)	(5.0)	(5.2)	(5.4)	(6.0)	(6.1)	(6.8)	(7.3)	(8.0)	(8.5)	(7.6)		
Int'l balance	Current account balance	As % of GDP	(2.8)	(3.6)	(3.8)	(3.8)			(3.7)			(3.4)			(3.2)			
	Net foreign securities transactions	US \$bn	505	907	1,321	1,177	67.8	171.5	152.8	30.8	80.5	196.0	127.1	19.2	186.0	8.8		
Monetary & financial	Federal funds rate	%	0.25	0.25	4.50	3.25	3.25	4.00	4.50	4.50	4.75	5.00	5.00	5.25	5.25	5.50	5.50	
	10-Year treasury yield	%	0.91	1.51	3.87	3.83	4.05	3.61	3.87	3.51	3.92	3.47	3.42	3.64	3.84	3.96	4.11	
	Dollar index	Point	89.9	95.7	103.5	112.1	111.5	106.0	103.5	102.1	104.9	102.5	101.7	104.3	102.9	101.9	103.6	

Source: Bloomberg; KGI Research

Key Taiwan economic data

Indicators	Units	2020	2021	2022	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	
GDP	GDP YoY	YoY %	3.4	6.5	2.4	3.6		(0.4)			(2.9)			1.4			
Consumer prices	CPI	YoY %	(0.2)	2.0	3.0	2.8	2.7	2.4	2.7	3.1	2.4	2.4	2.0	1.8	1.9	2.5	
	Core CPI	YoY %	0.7	1.9	2.7	2.8	3.0	2.9	2.7	3.0	2.6	2.6	2.7	2.6	2.7	2.6	
Labor market	Unemployment rate	%	3.7	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.5	3.5	3.4	3.4	
Economic activity	Industrial production	YoY %	8.8	14.7	(1.7)	(8.5)	(8.1)	(9.2)	(11.5)	(23.6)	(10.0)	(16.0)	(22.6)	(15.7)	(17.3)	(15.5)	(10.5)
	Markit Taiwan manufacturing PMI	Point		58.5	47.7	42.2	41.5	41.6	44.6	44.3	49.0	48.6	47.1	44.3	44.8	44.1	44.3
	NDC monitoring light signal					Yellow-blue	Yellow-blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
	NDC monitoring indicators	Point	24.3	39.0	24.2	17.0	18.0	12.0	12.0	11.0	10.0	11.0	11.0	12.0	13.0	15.0	
	NDC composite leading index	YoY %	(0.5)	4.5	(3.2)	(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)	(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	7.8	2.1	1.8	9.4	4.3	4.6	7.6	7.5	17.1	13.9	5.3	4.3
Trade	Exports	US\$bn	345.2	446.6	479.7	37.5	39.9	36.1	35.8	31.5	31.1	35.2	36.0	36.1	32.3	38.7	37.4
	Imports	US\$bn	285.8	381.3	428.1	32.5	37.0	32.7	31.0	29.2	28.7	31.0	29.3	31.3	26.4	30.3	28.8
	Trade balance	US\$bn	59.4	65.3	51.6	5.0	3.0	3.4	4.8	2.3	2.4	4.2	6.7	4.9	6.0	8.5	8.6
	Export growth	YoY %	4.9	29.4	7.4	(5.3)	(0.5)	(13.1)	(12.1)	(21.2)	(17.1)	(19.1)	(13.3)	(14.1)	(23.4)	(10.4)	(7.3)
	Import growth	YoY %	0.1	33.4	12.3	(2.6)	8.2	(9.2)	(11.4)	(16.8)	(9.4)	(20.1)	(20.3)	(21.8)	(29.9)	(20.9)	(22.9)
	Export orders	US\$bn	533.7	674.1	666.8	60.9	55.4	50.1	52.2	47.5	42.1	46.6	42.5	45.7	44.2	47.7	46
	Export order growth	YoY %	10.1	26.3	(1.1)	(3.1)	(6.3)	(23.5)	(23.2)	(19.3)	(18.3)	(25.7)	(18.1)	(17.6)	(24.9)	(12.0)	(15.7)
Monetary & financial	M1B	YoY %	16.2	12.8	4.1	6.6	5.2	4.4	4.1	2.7	2.0	2.0	2.7	3.3	2.4	3.7	2.9
	M2	YoY %	8.5	8.0	7.1	6.8	7.3	7.4	7.1	6.7	6.8	6.6	6.7	6.6	5.9	6.9	6.5
	Foreign reserves	US\$bn	529.9	548.4	554.9	541.1	542.8	552.2	554.9	557.1	558.4	560.3	561.1	562.9	564.8	566.5	565.5
	Rediscount rate	%	1.1	1.1	1.8	1.6	1.6	1.6	1.8	1.8	1.8	1.9	1.9	1.9	1.9	1.9	1.9
	Exchange rate	USD/TWD	28.3	27.7	30.7	31.8	32.2	30.9	30.7	30.0	30.5	30.5	30.7	30.8	31.1	31.4	31.9

Source: Bloomberg; KGI Research

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