TAIWAN WEEKLY KICKSTART

TAIEX rebounded 5%, leading global markets on intact earnings; despite continued strong foreign outflows, retail investors added exposure through equities/ETFs and leverage

Performance: MSCI/TAIEX +5%, outperforming MXAPJ by 4pp. Chemicals (+18%), Energy (+10%), Health Care (+9%), Tech Hardare (+8%) led, while Insurance (-6%), Telcos (-2%), Utilities (flat) and Banks (+1%) lagged. TSMC gained 4.5%; TWD closed at 31.9 (-0.1%) (Exhibit 15)

Flows: QFIIs net sold US$3.5bn, concentrated in Tech (TSMC -US$1.6bn; others -US$2.8bn), alongside a sharp increase in net short futures positions (Exhibit 18). **Local funds** net bought US$1.0bn, across all sectors except ex-TSMC Tech (Exhibit 19). **Retail investors** net bought US$2.5bn of cash equities and increased long futures positions by a similar amount, with higher margin ratios (Exhibit 25). **Short interest** ratios rebounded (Exhibit 29). **ETFs** saw US$2.5bn of inflows, including US$650mn into leveraged ETFs, US$150mn into dividend products, and US$1.7bn into other broad market products, including active funds.

EPS Revisions: Consensus 2027E EPS is +1.1%, with the most +ve revisions in Tech Hardware & Semis , vs. -ve revisions in Consumer sectors (Exhibit 53);

Valuations: f12m/24m PE at 22.1x/17.4x (+3.0/+2.3 s.d.)

TSMC ADR Premium: Down to 13% (-5pp); Reversal index GSSRTSMR is at -0.5 (potential rebound, Exhibit 54)

Cross-Strait Risk: GSSRCSRI down to 90 (Exhibit 57)

Macro Data (Jun): S&P Global PMI 55.2 (vs. May 56.1), Consumer Conf. 65.1 (vs. May 62.1)

Upcoming Data: Inflation (Tue), Exports/Trade (Thu)

Charts of the Week

1H Performance Recap: TAIEX is up 62% YTD, with over 85% of gains driven by earnings growth and positive revisions. TSMC has largely traded in line with the headline index, while other Tech stocks (+110%) have meaningfully outperformed non-Tech (+30%). QFIIs have net sold US$26bn of cash equities YTD, driven mainly by TSMC (US$43bn), while other Tech names have also seen profit-taking outflows over the past month.

We continue to recommend sticking with winners and structural themes supported by fundamental earnings drivers, including AI and the space economy.

3Q Seasonality: Seasonality suggests performance could soften in August–September before a potential Q4 recovery. Foreign flows have historically been negative during the May–September period.

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