Goldman Sachs Research

Portfolio Strategy Research
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TAIWAN WEEKLY KICKSTART

TAIEX retreated 1% as Tech stocks dragged on performance amid foreign and local institutional selling, despite a 1% gain in TSMC, while high-dividend stocks outperformed; TWD strengthened

Performance: TAIEX/MXTW -1.3%/1.6%, underperforming MXAPJ by 2.4pp. Transportation (+15%), Energy (+7%), and Telcos and Staples (+2-3%) led gains, while Tech Hardware and Semis (ex-TSMC) fell 4-5%; TSMC rose 0.6%. TWD strengthened 0.5% against USD to 31.9 (Exhibit 11)

Flows: QFII flows were muted, with US$1.1bn of net selling in ex-TSMC Tech offset by US$0.9bn of buying in Industrials and US$0.3bn in other non-Tech sectors, while short futures positions were reduced by US$1.9bn (Exhibit 14). **Local funds** net sold US$1.1bn, primarily in Tech, while buying Financials (Exhibit 15). **Retail investors** net bought cash equities with higher margin ratios but sold futures and ETFs (Exhibit 25). **Short interest** declined further (Exhibit 25). **ETFs** saw another US$0.4bn of net outflows, driven by active (-US$0.9bn) and leveraged (-US$0.4bn) ETFs, partly offset by inflows into broad-market (+US$0.5bn) and dividend (+US$0.4bn) products (Exhibit 30).

EPS Revisions: Consensus 2027E EPS is up 0.3%, with most +ve revisions in Transportation and Hardware (Exhibit 49).

Valuations: f12m/24m PE at 18.9/14.7x (+1.6/+0.7 s.d.).

TSMC ADR Premium: Down to 11%; Reversal index GSSRTSMR is at -0.4 (potential rebound, Exhibit 50).

Cross-Strait Risk: GSSRCSRI rose to 83 (Exhibit 53).

Macro Data: Export Orders +61.9% yoy (vs. Jun 59.4%).

Upcoming Data: M2 (Mon), Industrial Production & Retail Sales (Tue), Consumer Confidence (Thu).

Charts of the Week

Hedge Fund Flows and Mutual Fund Positioning: QFIIs have net sold US$40bn of Taiwan equities YTD, led by TSMC (-US$51bn); in June-July, they unwound their US$22bn of purchases made in April-May; **hedge funds** showed a similar flow trend, with both long and short sales (Exhibit 2). Among **mutual funds**, EM/AEJ funds significantly reduced their Taiwan exposure during July, while global funds positioning was relatively stable. Regional funds continue to hold an 12.1% weight in TSMC (vs. 15.6% EM weight), suggesting potential for further selling due to concentration constraints (Exhibit 4).

2Q26 Results Summary: Taiwan 2Q26 earnings grew +176%/+51% yoy/qoq, with 49% beats vs. 38% misses, and a median earnings/sales surprise of +14%/+4% (Exhibit 5).

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