TAIWAN WEEKLY KICKSTART

TAIEX fell 5% as record foreign selling drove an AI/Tech unwind and rotation into non-Tech, while domestic dip-buying provided support; TSMC raised revenue guidance, but GM was softer

Performance: TAIEX/TPEx fell 4.5%/6.2%, underperforming MXAPJ by 1.8pp. Energy (+11%), Transportation (+8%), Banks (+7%), and Insurance and Telcos (+5% each) gained, while Tech (other Semis -9%, Hardware -7%, TSMC -5%) and Capital Goods (-5%) lagged; TWD -1.4%. (Exhibit 18)

Flows: QFIIs were net sellers of US$19.2bn in cash equities, driven by Tech (TSMC: -US$7.5bn; others: -US$11.5bn), while buying Financials (+US$1.1bn), Consumer, Industrials and Defensives (+US$300–400mn each) (Exhibit 21), and modestly increased their net short futures positions by US$0.9bn (Exhibit 27). **Domestic funds** were net buyers of US$3.1bn across all sectors (Exhibit 22). **Retail investors** bought US$14bn of cash equities and continued to add margin balances, but moderately reduced their net long futures positions (Exhibit 28). **Short interest** rebounded (Exhibit 32). **ETFs** recorded significant inflows of US$5.6bn, led by broad-market passive products (+US$2.8bn), followed by active (+US$1.0bn), leveraged (+US$0.9bn) and dividend (+US$0.9bn) ETFs (Exhibit 37).

EPS Revisions: Consensus 2027E EPS increased 2.1%, led by Commodities, Transportation, and Tech (Exhibit 56).

Valuations: f12m/24m PE at 17.2x/13.8x (+0.8/+0.1 s.d.).

TSMC ADR Premium: Down to 11% (-3pp); Reversal index GSSRTSMR is at -0.3 (potential rebound; Exhibit 57).

Upcoming Data: Export Order (Tue), IP & Retail Sales (Fri)

Charts of the Week: Flows/Positioning & Leverage

Record foreign selling: Taiwan saw record QFII outflows, including US$9.9bn in a single day and US$19.2bn over the week, concentrated in Tech. (Exhibit 1)

Hedge funds de-risking AI longs: Hedge funds turned net sellers in October after adding exposure in September, with long sales outpacing short covering 3:1, concentrated in AI-related positions. (Exhibit 3)

Retail remains resilient and is buying the dip: Margin balances reached a record US$15bn, while leveraged ETFs have seen renewed October inflows. Maintenance margins remain well above prior stress levels, suggesting limited forced-deleveraging pressure so far. (Exhibit 5)

Long-only trims exposure: Regional and global mutual funds continued to reduce Taiwan exposure in September, leaving benchmark-relative positioning near 10-year lows; TSMC remains a significant underweight (Exhibit 10)

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