



MONTHLY MORNING MEETING APRIL 2009. PRESENTED BY iFAST FINANCIAL INDIA PVT LTD ©

## TAIWAN (3.0 STARS – ATTRACTIVE)

- 1) Estimated PE for Taiwan Equity represented by Taiwan weighted index is 33.3X for 2009 and 15.0X for 2010
- 2) Estimated earnings growth is expected to be -60.9% and 121.9% for 2009 and 2010. Estimated earnings growth is expected to be 33.8% for 2011. Although earnings figures look strong in 2010 and 2011, the annualized earnings growth for the next three years is only 5.01%.
- 3) Taiwan's 4Q08 GDP contracted 8.36% year-on-year, the biggest decline since the records began in 1952. For 2008 as a whole, real GDP grew by 0.12%. Net exports contributed 2.17% to the change in real GDP. Domestic demand decreased 2.42% and negatively contributed 2.05% to the change in real GDP.
- 4) Interest rate was cut to 1.25% and the government forecasted its GDP will contract 2.97% in 2009.
- 5) Exports is expected to contract 19.92% in 2009 as global demand is dropping. In fact, exports contracted by record in January 2009. Although exports is less negative in February, we expect exports to remain very weak in 2Q09.
- 6) New Taiwan dollars only depreciated 3.2% year-to-date as of end March 2009. Compared with a 9.5% drop in Korean won, New Taiwan Dollar is likely to depreciate to reflect contracted exports growth.
- 7) Taiwan Semiconductor Manufacturing, the world's largest chips maker raised its sales and profitability forecasts for the 1Q09. The company said that the current economic situation is better than the worse that they expected. The market climbed up as the best performing market after good news from the semi-conductor industry.
- 8) In terms of valuation, the estimated PE increased sharply to 33.3X for 2009. A high PE level makes Taiwan market relatively unattractive as compared with other Asian countries.
- 9) We maintained Taiwan as 3 stars – Attractive. As the market went up 13.5% (in local currency terms) YTD as of end March, we are cautious on the Taiwanese market.
- 10) Taiwan is our least favorite market in 2009. However, we believe that the Taiwan market is likely to rebound from its bottom in 2008 by the end of 2009. Therefore, we believe that the Taiwan market is still showing a certain level of investment opportunities and we give 3 stars – Attractive over the 3-year horizon.