

Taiwan: Solid Economic Growth



Taiwan stock index matched the performance of China and HK stock markets, underperforming other Asian peers. For 2010, the upside potential remains attractive for Taiwan markets. The economy is emerging from the worst recession since records began in the 1950s. Central Bank Governor kept interest rates unchanged at a record-low 1.25% on Dec. 24, after slashing them by 2.375% points from September 2008 to February 2009 to revive the economy. President Ma Ying-jeou is negotiating a trade accord with China that would cut import duties on Taiwanese goods in the world's fastest growing major economy and help cement the recovery, according to Bloomberg. According to the Taiwan Institute of Economic Research, Taiwan's economy is expected to grow 4.81% in 2010. Domestically, manufacturers are confident about the future recovery, more private investors have expressed rising

confidence to invest. In addition, owing to the plan targeting six major emerging industries and other preferential policies, the fixed investment will see a growth of 4.64% in the island this year. The emergence of the world economy from the worst slump since World War II spurred businesses in Taiwan, where exports equal half of GDP, to boost production and hire more workers. In fact, overseas demand is also increasing, boding well for the island's export shipments, and this year's exports are expected to see a positive growth. Taiwan's exports to China, its biggest trading partner and No. 1 overseas investment destination, soared 187.8% in January from a year earlier, after a 96.7% gain in December, according to Bloomberg. On the other, shipments to the US, the second largest export market, rose 13.7% after increasing

4% in December. Corporate-wise, stronger demand for electronics helped the big players, like Taiwan Semiconductor Manufacturing Co. and United Microelectronics Corp., which are the world's largest makers of custom chips, post fourth-quarter profits that beat analysts' estimates and boost capital spending this year. Taiwan Semiconductor said it planned record spending this year and would add more than 3,000 engineers. Asean, which represents a quarter of the world's population, accounts for 15% of Taiwan's exports. The government estimates the Economic Cooperation Framework Agreement with China would increase GDP by 1.65 to 1.72% points annually, spurring exports and creating more than 260,000 jobs. Exports would rise as much as 5% a year and imports by 7%. 

Microscope

President Ma's administration has been pushing for the trade agreement with China to prevent Taiwan from being marginalized after a Chinese accord with the 10-member Association of Southeast Asian Nations took effect this year. The opposition party has been against signing the accord, according to Bloomberg. The Democratic Progressive Party on Dec. 20 rallied 100,000 people into the streets to protest China policies, on concern over eroding the island's sovereignty. China and Taiwan have been ruled separately since Nationalist troops fled to the island after losing a civil war to Mao Zedong's Communist forces in 1949. China has threatened to invade Taiwan if it declares formal independence, and in 2006 carried out a weeklong series of missile tests near the island. According to Bloomberg, the risks to Taiwan are not the political issues, but centering on the global outlook, which is strong only in the short term. Although it's too early to see integration, the fact that a growing number of Taiwan residents tended to seek spouses in the mainland during 2000 and 2001 may have contributed to the sharp population growth in the island. 

MARKET BRIEFING


YTD % (local curr)

US DJ	10,325 (-1.0%)
Nasdaq	2,238 (-2.2%)
Euro Stoxx 50	2,728 (-8.0%)
HSI	20,608 (-5.8%)
Japan NK225	10,126 (-4.0%)
China Shanghai Composite	3,041 (-6.9%)
Singapore	2,750 (-5.1%)
India BSE30	16,429 (-5.9%)
Brazil BOVESPA	66,503 (-3.0%)
Aus All Ord	4,651 (-4.7%)
US-10yr Bond	Yield 3.61%

As at 26/02/10


Insight: "Wealth Management Process"

With regard to wealth management process, establishing a set of values will be the foundation. Wealth planner can help clients about family finances, existing assets, spending patterns, expected rates of return, and current estate plans. At the same time, client must decide how to structure long-term family and financial goals so they become integrated and can positively reinforce one another. In fact, managing wealth effectively requires taking charge of the process early. If you have had financial assets for some time, there's no time like the present to start. There are factors such as taxes, fees, and inflation that

can accelerate wealth erosion and eat away at your net worth even in upward moving markets. The time horizon you set for this strategy may be a single lifetime, a single generation, or multiple generations. Besides investing, insurance management as well as estate planning are prerequisites for wealth management. The wealth planner is usually able to frame family conversations around critical objectives, like asset management and succession plan. He or she will ask questions, recognize the psychological and financial positions from which different family members come, and be adept at focusing wealth management discussions not only on a family's history and values but also on its vision for the future. As such, client can have overall lifetime picture to determine how to manage wealth. 

Financial "In & Out"

IN: Euro will rebound as Germany and France are considering a plan to bail out Greece that could cost as much as 30 billion euros, according to the Wall Street Journal. Fading concern over Greece's financial position benefits Euro.

OUT: US dollar may fall as it is expected that US companies probably cut more jobs in February and the unemployment rate increased. 



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