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Overview

- Taiwan's listed companies are set to pay large dividends intensively in the July-September period as usual, with foreign institutional investors owning about 39% of local shares as of May 2022
- Foreign investors have been net sellers of Taiwanese shares every month this year, weighing on the TWD exchange rate
- In our view, dividends-induced dollar buying alone is less likely to push up USD/TWD markedly in a sustainable way; Instead, external factors will continue dominating the currency pair in the period, including the Fed's tightening path, China's Covid-zero policy and the global demand
- USD/TWD will likely hover around the 29.5-30.0 range before starting to decline post the release of US inflation

Taiwan Dividend Payment Schedule in 2022

Date 2022	Company	Cash Dividend Payouts (TWD bn)	Date 2022	Company	Cash Dividend Payouts (TWD bn)
Jul 14	TSMC (台积电, Q3 2022 Dividend, 2350)	71.31	Aug 9	Nanya Plastics (南亚塑胶, 1303)	59.48
Jul 14	UMC (联电, 2022)	37.65	Aug 12	Novatek (联发, 3054)	31.34
Jul 21	MediaTek (联发科, 2454)	116.73	Aug 17	Foxconn (富士康, 4904)	10.59
Jul 22	Formosa Petrochemical Corp (台塑化, 6505)	36.20	Aug 25	Asus (华硕, 2357)	31.20
Jul 22	Yuanta Financial Holdings (元大金, 2885)	18.21	Sep 8	Uni-President Enterprises Corporation (统一, 1215)	15.34
Jul 26	Nanya Technology (南亚科, 2408)	11.47	Oct 13	TSMC (台积电, Q1 2022 Dividend, 2330)	71.31
Jul 27	Hotel Motor (和泰车, 2207)	10.92	TBA	China Steel Corp (中钢, 2002)	48.78
Jul 28	Evergreen Marine (长荣, 2603)	95.24	TBA	Fubon Financial Holdings (富邦金, 2881)	41.32
Jul 28	Hon Hai Precision Industry (鸿海, 2317)	72.09	TBA	Wan Hai Lines (万海, 2615)	25.62
Jul 28	ASE Technology Holding (白月光, 3711)	30.50	TBA	Quanta (广达, 2382)	25.49
Jul 28	Delta Electronics (台达电, 2308)	14.29	TBA	CTBC Financial Holdings (中银金, 2891)	24.37
Jul 28	Pegatron (群创, 4938)	13.34	TBA	Mega Financial Holdings (兆丰金, 2886)	19.04
Jul 29	Formosa Chemicals & Fibre Corp. (台化, 1326)	28.13	TBA	Realtek (瑞昱, 2379)	13.85
Jul 29	Yang Ming Marine (阳明, 2609)	69.84	TBA	Taiwan Cooperative Bank (合作金, 5880)	13.60
Aug 1	Cathay Financial Holdings (国泰金, 2882)	46.09	TBA	First Financial Holdings (第一金, 2892)	12.96
Aug 3	Taiwan Mobile (台湾大哥大, 3045)	12.13	TBA	Asia Cement Corporation (亚泥, 1102)	12.05
Aug 3	China Development Finance (开发金, 2883)	16.65	TBA	Inotex (群创, 3481)	11.09
Aug 5	Chungwa Telecom (中华电, 2412)	35.75	TBA	Hua Nan Financial Holdings (华南金, 2880)	10.29
Aug 5	Formosa Plastics Group (台塑, 1301)	52.20			

Source: Reuters, Bloomberg & Scotiabank FICC Strategy

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Taiwan's Annual Dividend Payments 2022

Asia Overview — Most EM Asian currencies weakened versus the dollar on Wednesday. The SGD and JPY fell 0.4% and 0.3% respectively amid a 8bp drop in the 10Y UST yield.

The CNY gained 0.1% while the CNH declined about 0.1%. USD/CNH will likely trade around the 6.70 level with downside potential. US Commerce Secretary Gina Raimondo said on Wednesday that China is a much bigger long-term threat than Russia. China's long-term foreign currency debt rating was affirmed by S&P at A+ with a stable outlook. The PBoC emphasized that it will stabilize jobs and inflation in its quarterly monetary policy statement after holding Q2 monetary policy meeting on June 24, reaffirming that monetary policy will provide stronger support to the real economy. A gauge measuring expectations for future employment plunged to 44.5 in the second quarter, the lowest level since 2009, according to survey of depositors by the PBoC. The KRW tumbled 1.2% despite talks of a "big-step" BoK move. USD/KRW will likely consolidate between 1,280 and 1,300, with risks of breaching the upper bound. Yonhap cited an unidentified high-ranking central bank official as saying that calls for the Bank of Korea's "big-step" rate increase will likely intensify should June CPI rise 6% or higher. South Korea's consumer confidence fell to 96.4 in June from 102.6 in May. Labor negotiators now seek a 12.9% increase in minimum wage to 10,340 won per hour while business representatives say they would agree to a 1.1% increase to 9,260 won, according to a statement from the South Korean labor ministry. The TWD dipped somewhat amid equity outflows. USD/TWD will likely hover around the 29.5-30.0 range. CBC Governor Yang Chin-long said in a speech in Taipei on Wednesday that Taiwan has completed an experiment with its central bank digital currency (CBDC), three months earlier than originally planned.

The INR dropped around 0.3%. USD/INR will likely advance further to the 79 level. RBI Governor Shaktikanta Das said on Wednesday that central banks are facing challenges to economic forecasting after the Covid pandemic due to absence of a precedence. The IDR weakened 0.1%. USD/IDR is likely to trade in a range of 14,700-14,900 at present. Fitch Ratings on Tuesday affirmed Indonesia's sovereign credit rating at BBB citing the nation's economy and fiscal strength, with a stable outlook. The rupiah depreciation may expose indirect risks to Indonesian banking system as lenders have significant foreign-currency financing to companies, according to S&P Global Ratings in a Wednesday briefing.

The MYR edged down. USD/MYR is likely to trade around the 4.40 level amid stabilizing oil prices. Fitch expects higher global vegetable oil output to drive a decline in crude palm oil prices to below USD 1,000/t in the second half of this year, after averaging around USD 1,500/t in the first half. The PHP fell 0.6%. USD/PHP is likely to fluctuate around the 55 level. The BSP awarded all of PHP 290bn term deposits offered at its weekly auction on Wednesday. The Philippines' incoming finance minister Benjamin Diokno said on Wednesday that tax administration, rather than new taxes, is the first priority to raise government revenue under a coming fiscal consolidation plan. Outgoing BSP Governor Benjamin Diokno said on Wednesday that the Philippine central bank is letting the market determine the peso's value against the dollar and intervenes only to curb volatility. The THB dropped about 0.3%. USD/THB will likely rise towards 35.5 amid a dollar strength for now. Thailand's manufacturing production index dropped 2.11% yoy in May after sliding 0.03% yoy the previous month, below market estimate of a 1.55% growth. Thailand's central bank now has increased scope for raising interest rate because of rising inflation risks, according to the World Bank. Thailand expects foreign tourist arrivals to gain further momentum with the scrapping of a mandatory pre-travel registration starting July 1.

Most regional equity indices resided in the red on Wednesday. China's SHCOMP index dropped 1.40% despite USD 0.02mn of equity inflows, while India's NIFTY50 index slid 0.32%. South Korea's KOSPI index declined 1.82% with foreign investors offloading a net USD 292.4mn of Korean shares. In the meantime, Taiwan's TWSE index fell 1.29% as global funds reduced their holdings in local main board shares by USD 182.7mn on Wednesday. Malaysia's KLCI index and Indonesia's JCI index closed down 0.22% and 0.77% respectively. Thailand's SET index ended 0.52% lower in spite of USD 8.3mn of stock inflows.

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Foreign investors have been net sellers of Taiwanese shares every month this year, offloading a net USD 6.66bn, USD 15.66bn and USD 31.94bn respectively month-to-date, quarter-to-date and year-to-date.

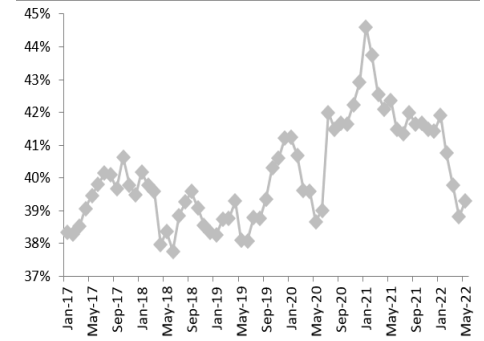
In our view, dividends-induced dollar buying alone is less likely to push up USD/TWD markedly in a sustainable way. Instead, external factors will continue dominating the currency pair in the period, including the Fed's tightening path, China's Covid-zero policy and the global demand.

- Fed Chair Jerome Powell said on Wednesday that the US economy is in "strong shape" and the US central bank can reduce inflation to 2% while maintaining a solid labor market.
- Chinese President Xi Jinping said on a visit to Wuhan on Tuesday that the Covid-zero policy is the most "economic and effective" for China and the country is capable of achieving the goal of stamping out infection.
- While the US economy is now under rising downward pressure amid the Fed's aggressive monetary tightening, China's central bank also said in its Q2 monetary policy statement released Wednesday that global economic growth is slowing and inflation is running high.

Typically, weak US macro data tend to fuel worries about the economic growth prospect and prompt expectations for the Fed to slow its monetary tightening pace, which would be supportive of risk assets. However, Fed Chair Powell's latest remarks may indicate the US central bank will continue its monetary tightening, which has dented market sentiment and will likely undermine EM Asian currencies including the TWD to some extent.

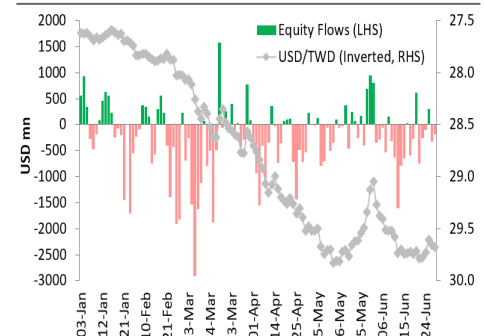
USD/TWD will likely hover around the 29.5-30.0 range before starting to decline post the release of June US CPI inflation due on July 13.

Foreign Holdings of Taiwan's Shares (% of Total)



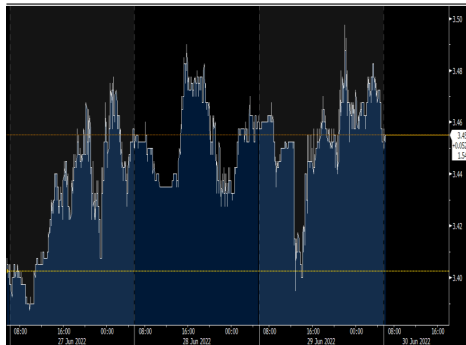
Source: SFB Taiwan & Scotiabank FICC Strategy

Taiwan Cross-border Equity Flows vs. USD/TWD Spot (Inverted)



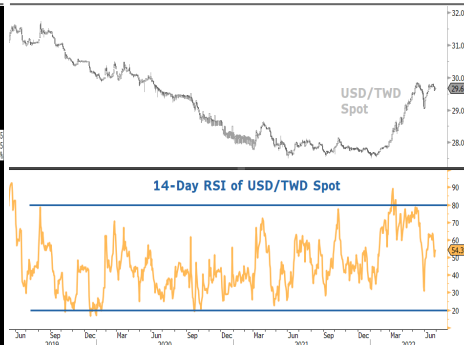
Source: Bloomberg & Scotiabank FICC Strategy

Fed Funds Futures Priced-in December 2022 Fed Funds Rate



Source: Bloomberg & Scotiabank FICC Strategy

USD/TWD Spot and 14-Day RSI Index



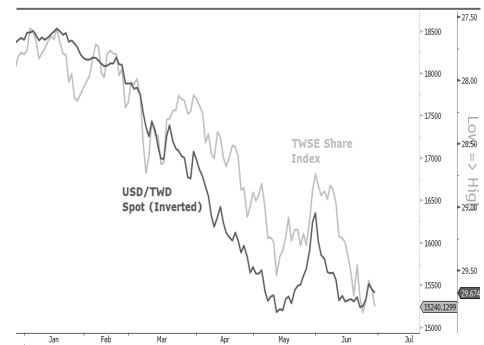
Source: Bloomberg & Scotiabank FICC Strategy

TWSE Share Index vs. 10Y UST Yield (Inverted)



Source: Bloomberg & Scotiabank FICC Strategy

USD/TWD Spot (Inverted) vs. TWSE Share Index



Source: Bloomberg & Scotiabank FICC Strategy

TODAY'S CALENDAR

Time (HKT)	Economy	Type	Release	Period	Consensus	Actual	Last	Significance
05:00	KR	DATA	Business Survey Manufacturing	Jul			87	med
05:00	KR	DATA	Business Survey Non-Manufacturing	Jul			86	med
07:00	KR	DATA	Industrial Production SA MoM	May	0.5%		-3.3%	med-high
07:00	KR	DATA	Industrial Production YoY	May	4.0%		3.3%	med-high
07:00	KR	DATA	Cyclical Leading Index Change	May			-0.3	med
09:00	NZ	DATA	ANZ Activity Outlook	Jun			-4.7	med
09:00	NZ	DATA	ANZ Business Confidence	Jun			-55.6	med
09:30	CN	PMI	Official Manufacturing PMI	Jun	50.5		49.6	high
09:30	CN	PMI	Official Non-manufacturing PMI	Jun	50.5		47.8	med-high
09:30	CN	PMI	Official Composite PMI	Jun			48.4	med-high
09:30	AU	CREDIT	Private Sector Credit MoM	May	0.6%		0.8%	med-high
09:30	AU	CREDIT	Private Sector Credit YoY	May	8.6%		8.6%	med-high
10:00	SG	DEPOSIT	Deposits and Balances of Residents Outside Singapore, SGD	May			522.8bn	med-high
15:00	TH	BOP	Current Account Balance	May	-\$3,000mn		-\$3,351mn	med-high
15:30	TH	TRADE	Exports YoY	May			6.6%	med
15:30	TH	TRADE	Imports YoY	May			19.1%	med
15:30	TH	TRADE	Trade Balance	May			\$1,088mn	med
16:30	HK	DATA	Retail Sales Value YoY	May	8.4%		11.7%	med
16:30	HK	DATA	Retail Sales Volume YoY	May	8.0%		8.1%	med
16:30	HK	DATA	Budget Balance, HKD	May			-46.8bn	med
18:30	IN	DATA	Fiscal Deficit, INR	May			748.46bn	med-high
20:00	IN	DATA	Eight Infrastructure Industry Growth YoY	May			8.4%	med-high
	HK	DEPOSIT	Offshore Yuan Deposits, RMB	May			841.91bn	med

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