



Banking Executive Index (BEI) Newsletter

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March Highlights

- **US Interest Rates Have Inverted; Risk Aversion is Increasing; Funds Returning to Local Housing Market**

US interest yields have inverted, causing market concerns about an economic slowdown and forecasts of interest rate cuts. Executives' views on Taiwanese stocks became conservative, and views on the NTD exchange rate went from flat to depreciation. The entire market index turned slightly softer than last month to an overall pessimistic outlook. Due to monetary policy loosening in various countries, the market expects a return of funds and performance in housing was better. The trade war has also caused Taiwanese businesses to return home. The balance of mortgage loans in February reached NTD 7 trillion, a 25-month high. Bankers showed rare optimism on the housing market, manifested as a record high since the release of this index. The continued performance of this index will reveal the strength of the market.

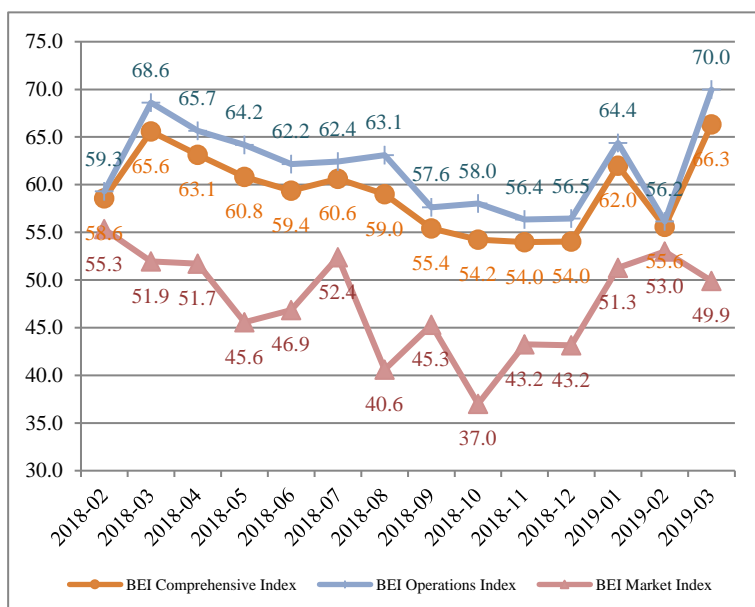
- **New High in Operations Index with Fed Moderation, Progress Towards Trade Agreement, and Growth in Lending & Overseas**

The BEI Operations Index reached a new high this month, mainly due to policy moderation confirmed in the Fed's March FOMC meeting, and further European and Japanese loosening. US-China trade negotiations have continued to progress, entering discussions on substantive provisions. Lending and asset quality performed well, and operating confidence increased significantly from last month. Many more executives are optimistic about the operating environment the next three months, but are still watching credit defaults and new oversupply in Chinese branches, as well as the impact of international stock volatility on profits and operations.

- **Domestic and International Financial and Economic Focus Points for Banker Executives in March**

1. Progress in trade negotiations; 2. Brexit progress; 3. Slowdown and debt problems in China; 4. Normalization of Fed policy; 5. Central bank interest rate freeze; 6. Open banking policy; and 7. Insurance business warnings.

BEI Trends

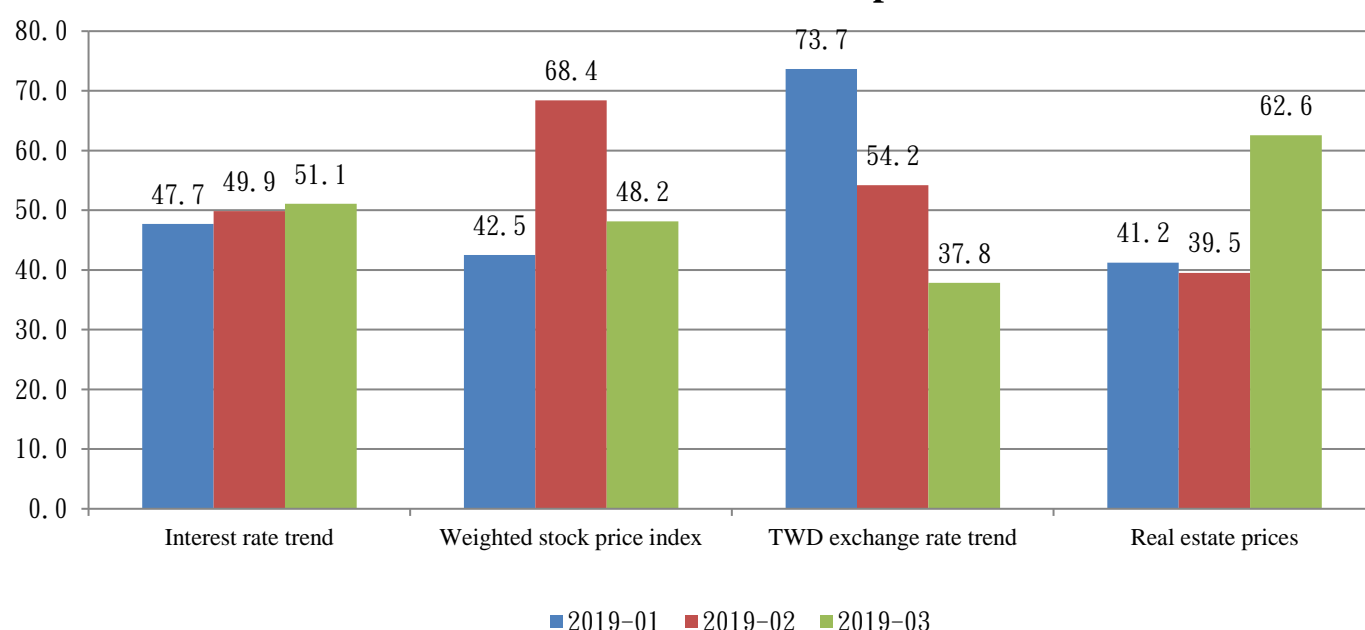


Data source: TABF

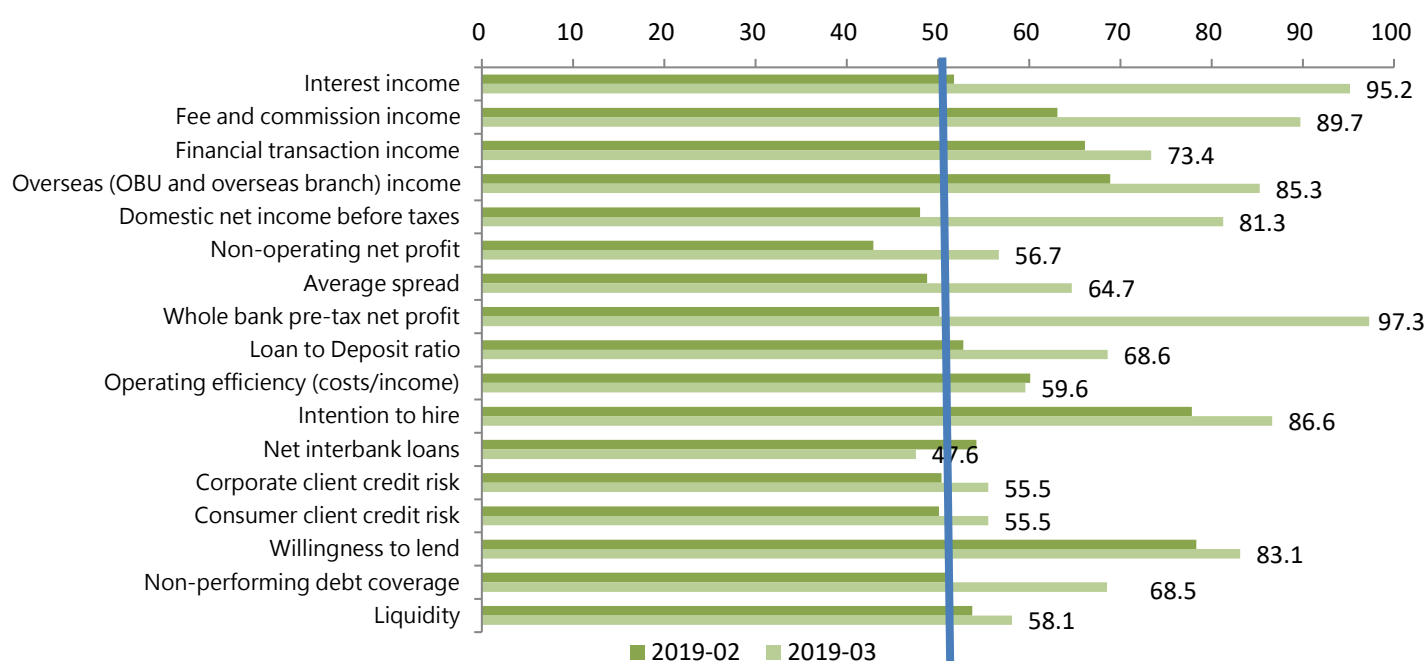
The BEI Comprehensive Index reached 66.3 in March, up 19.24% from the 55.6 in February. The BEI Operations Index was 70 points, 24.56% than 56.2 in February – a record high since the publication of the index – mainly due to breakthroughs in US-China trade discussions and this month's Fed moderation following the FOMC meeting sending strong moderation signals. It decided to end balance sheet shrinkage in September, and is no longer expected to raise interest rates this year. Banks expect major capital market benefits, including higher income and profit.

The BEI Market Index reached 49.9, down 5.85% from 53 in February. For interest rates, the Fed turned dovish, and the central bank has held rates steady for 11 quarters. Views on rates held steady at 51.1. The spread between 3-month and 10-year US public debt turned negative for the first time since 2007, bringing views on the stock market down to 48.2, and views on the NTD down to 37.8. For housing, banks' views rebounded to 62.6. The trade war brought industrial and residential demand from returning Taiwanese capital, and continued low rates caused cautious optimism on real estate for the next quarter,

BEI - Market Index Components



BEI - Operations Index Components



Changes since last month

Rank	Best performing indicators	Worst performing indicators
1	Whole bank pre-tax net profit	Net interbank loans
2	Interest income	Operating efficiency (costs/income)
3	Domestic net income before taxes	
4	Fee and commission income	
5	Non-performing debt coverage	

Data source: TABF