



Banking Executive Index (BEI) Newsletter

Issued by: Taiwan Academy of Banking and Finance (TABF) Director Jerry Lin
Contact: (02) 3365-3584 / (02) 3365-3574 (C/O Analyst Yuan Te Huang)
Email: jerrylin@tabf.org.tw; yuante@tabf.org.tw
Translated by: David Stinson (Project Editor), Wei-jen Lai (Associate Research Fellow)



June Highlights

- **Steady Taiwan rates for 12 quarters; US cuts expected; Markets recover after trade war respite**

The US Fed held interest rates unchanged in June, but hinted at rate cuts. In Taiwan, the rate has not changed for 12 consecutive quarters. Bankers' views on rates remained conservative. After the meeting between Trump and Xi at the G20 summit, the US is expected not to impose additional tariffs or reduce sales of Huawei devices to US companies; markets still expect the Fed to cut rates in July. Hot money inflows into Asian emerging markets and the coming dividends season caused optimism, but uncertainties persist. Expectations of NTD depreciation weakened. Due to the continued repatriation of Taiwanese capital, real estate markets have warmed up from last year, but consolidation continues. The BEI real estate price index fell below 50, though still higher than the beginning of last year.

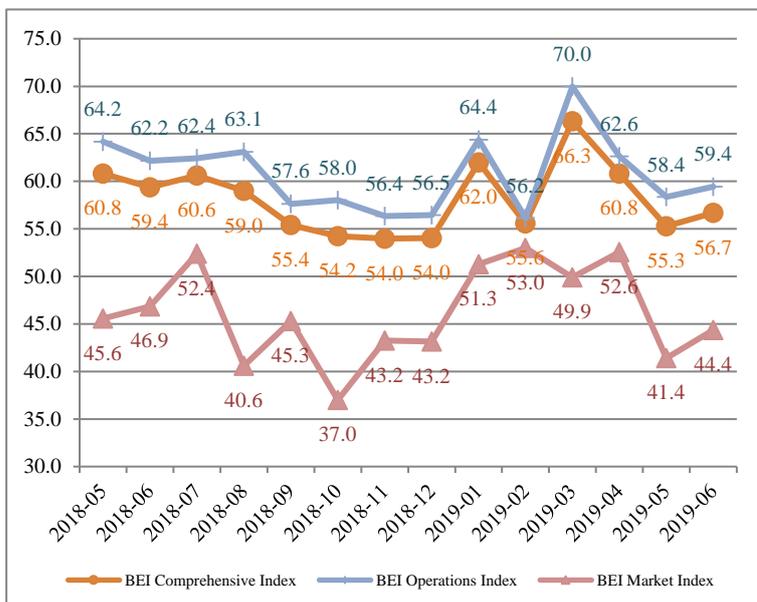
- **Bank operations are stable; Optimism about financial transactions and overseas income**

BEI operation Index rebounded from last month and remained in the positive range. The latest FOMC meeting in June continued to project a dovish stance. The expected rate cuts, plus the G20 Trump-Xi meeting stimulated market confidence. Bankers views on future financial transaction income performance returned to the positive range. Banks' NPL ratio to ASEAN countries is 0.29% higher than the overall average, 0.24%, and foreign-invested production lines are exiting China faster, which will likely affect supply chains. Bankers currently hold slightly negative views towards corporate and consumer credit risk.

- **Market movers in June:**

1. Further developments after the China-US meeting at the G20 Summit; 2. Progress in Brexit; 3. Increasing expectations of a Fed rate cut; 4. Taiwan's financial exposure to Hong Kong; 5. Taiwanese capital repatriation; and 6. Structural reforms of family holding companies and bank boards.

BEI Trends

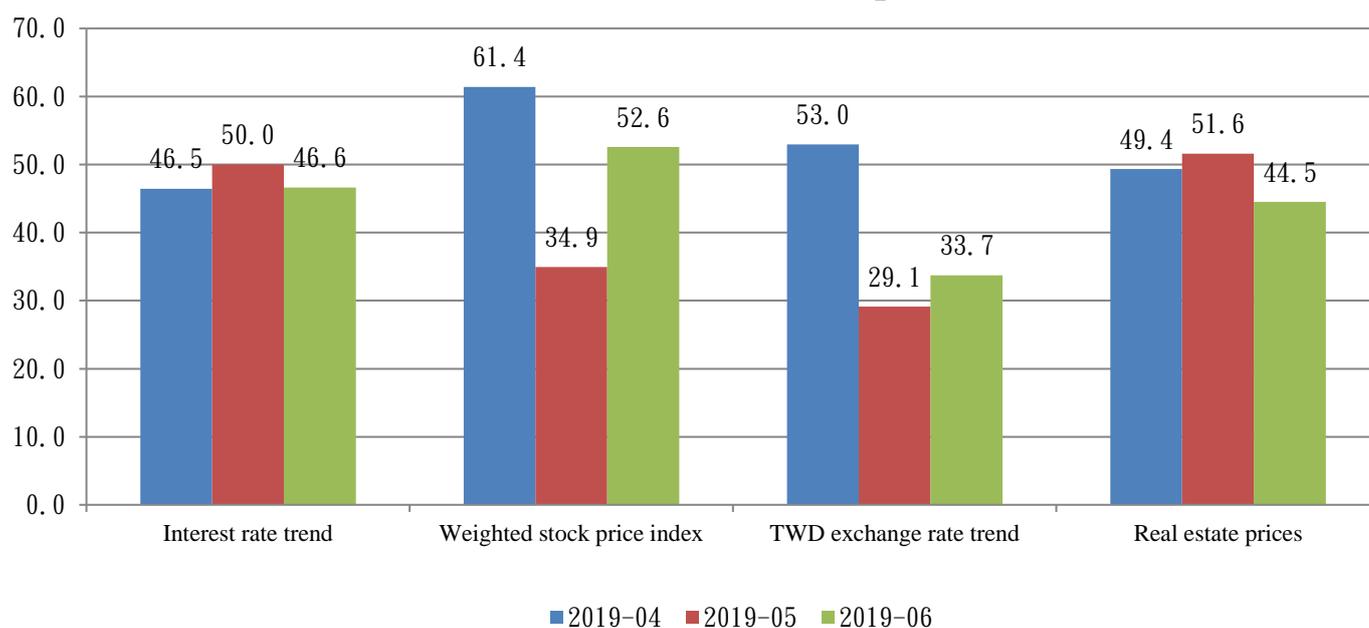


Data source: TABF

The BEI Comprehensive Index score was 56.7 in June, 2.53% higher than the 55.3 points in May. The BEI Operations Index was 59.4, 1.17% higher than the 58.4 of May. The June FOMC meeting continued to project a dovish stance, increasing expectations of a cut in the 2nd half. With increased market confidence following the trade war cease-fire, bankers' views on financial transaction income returned to a positive range. A rule on capital repatriation is expected to be passed soon, which will help banks expand by attracting more capital, causing continued optimism on interest and fee income. The FSC announced that OBU profit growth reached a 4-year high in the first 4 months of the year, and banks remained positive on OBU income. Banks' NPL ratio to ASEAN countries is 0.29% higher than the overall average, 0.24%; Production lines continued to leave China, the process may affect Taiwanese supply chains, and banks turned slightly negative towards corporate and consumer client credit risk.

The BEI Market Index scored 44.4, 7.25% higher than the 41.4 points in May. Bankers are continuing to watch whether Taiwanese rates will follow expected US cuts, and the score for interest rates was 46.6. Views on domestic equities turned positive at 52.6. Although the Fed's stance weakened the dollar and strengthened Asian currencies, continued uncertainties caused expectations of depreciation, at 33.7. The housing market has warmed up since last year, but remains in consolidation; the BEI Real Estate Index slid slightly to 44.5.

BEI - Market Index Components



BEI - Operations Index Components



Changes since last month

Rank	Best performing indicators	Worst performing indicators
1	Financial transaction income	Non-operating net profit
2	Liquidity	Overseas (OBU and overseas branch) income
3	Fee and commission income	Corporate client credit risk
4	Net interbank loans	Consumer client credit risk
5	Interest income	Operating efficiency (costs/income)

Data source: TABF