








# Taiwan Academy of Banking and Finance (TABF) Taiwan Financial Risk Index (TAIFRI) Monthly Report

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## April TAIFRI Highlights

- April TAIFRI Index scored 98.9, down slightly**

| TAIFRI   |  |  |   |
|--|--|--|---|
| 98.9  (-0.05) |  |  |   |
| Asset Valuation Pressure   | Non-financial Sector Stability   | Financial Sector Stability   | Spillover and Contagion   |
| 101.3         | 95.2  (-0.18) | 93.1  (+0.07) | 102.9  |

- Real estate risks eased, stock market volatility risk recovered**

Due to government policies, slightly fewer mortgages were approved in Taipei. The commercial real estate market saw record high transactions and supply shortages in Q1; rents rose. Therefore, risks in both house and office markets declined. In the stock market, P/E ratios have hovered around 20-21 this year, the highest in 8 years, but with low risk-free rates, the stock market risk premium remained at 4-5%. As stocks hit a record in April, profit taking and a resurging pandemic increased volatility from March, increasing risk slightly.

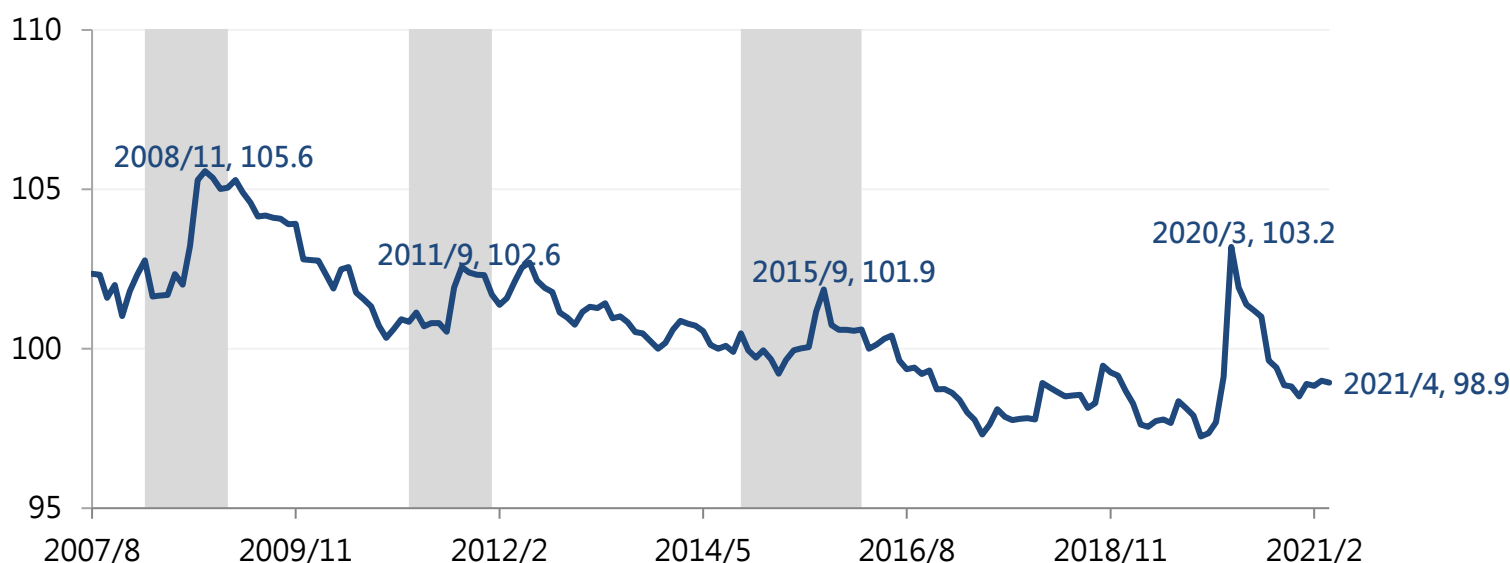
- Huarong incident in China sharply increased credit risks**

Taiwan's credit risk in international markets except China (US, EU, and Japan) decreased slightly, and overall overseas credit risk was not affected. China's non-performing asset SOE Huarong was downgraded by Moody's and Fitch, increasing the credit default swap index in Asia ex. Japan sharply to an 8-month high. Huarong is China's largest overseas bond issuer.

- Ratio of overseas high-yield fixed income funds investment reaches record high**

The ratio of foreign high-yield fixed income funds investments reached a high since October 2018. The total investment amount of high-yield bonds funds is over 10 times that of general bonds funds. Investors should watch recent increase of overseas credit risk. In the corporate sector, Taiwan's 10-year government bonds fell by 4 basis points since March, causing the spread on BBB bonds to widen, but the spread since February of 7-8 basis points is the lowest since 2008, indicating abundant funding and low risks.

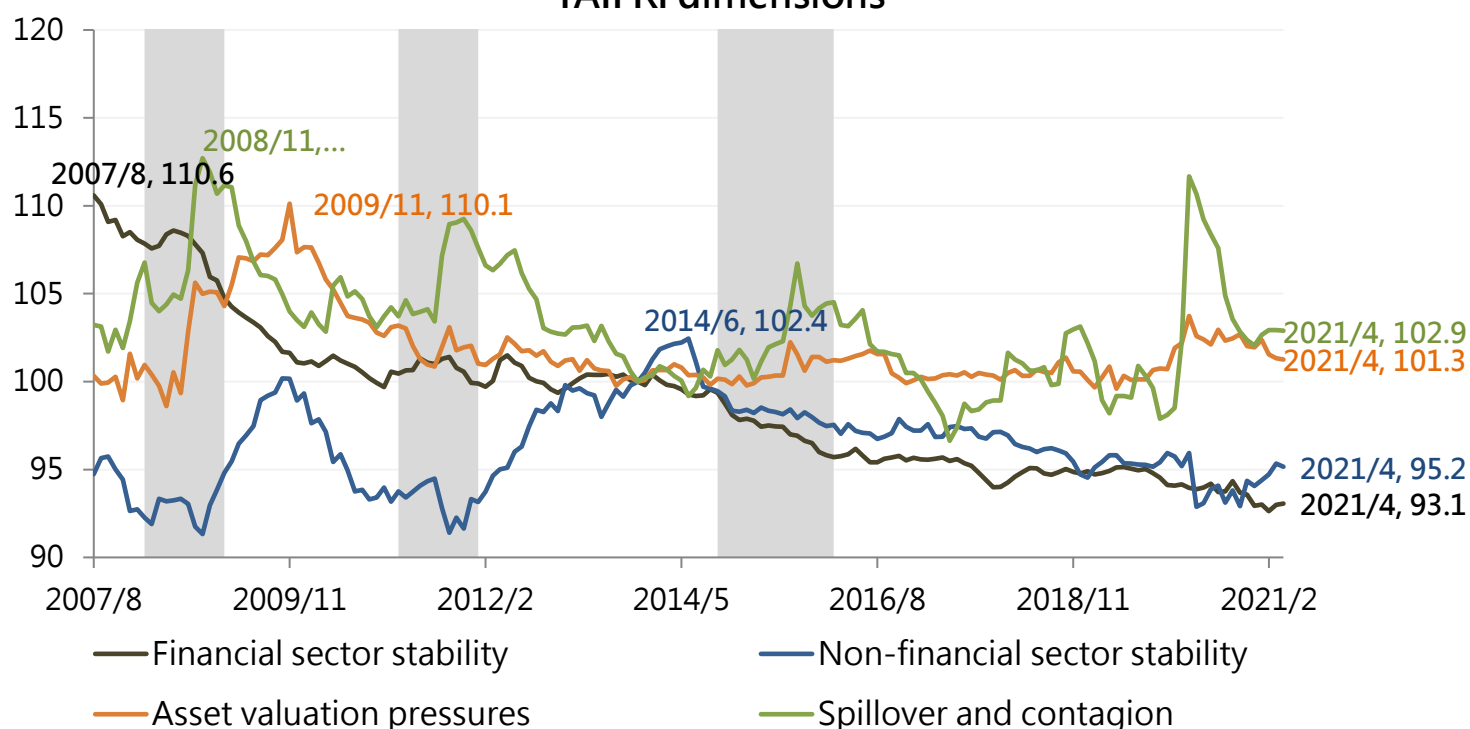
## TAIFRI composite index



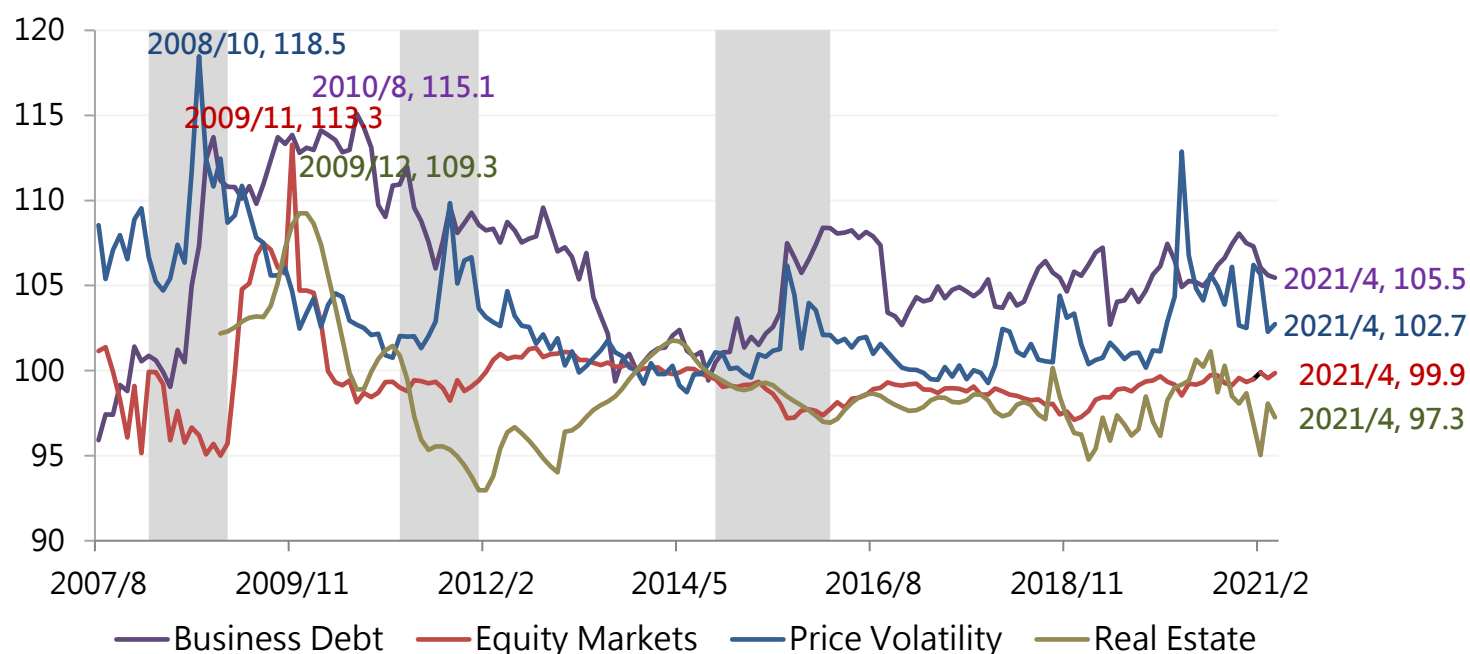
Source: TABF

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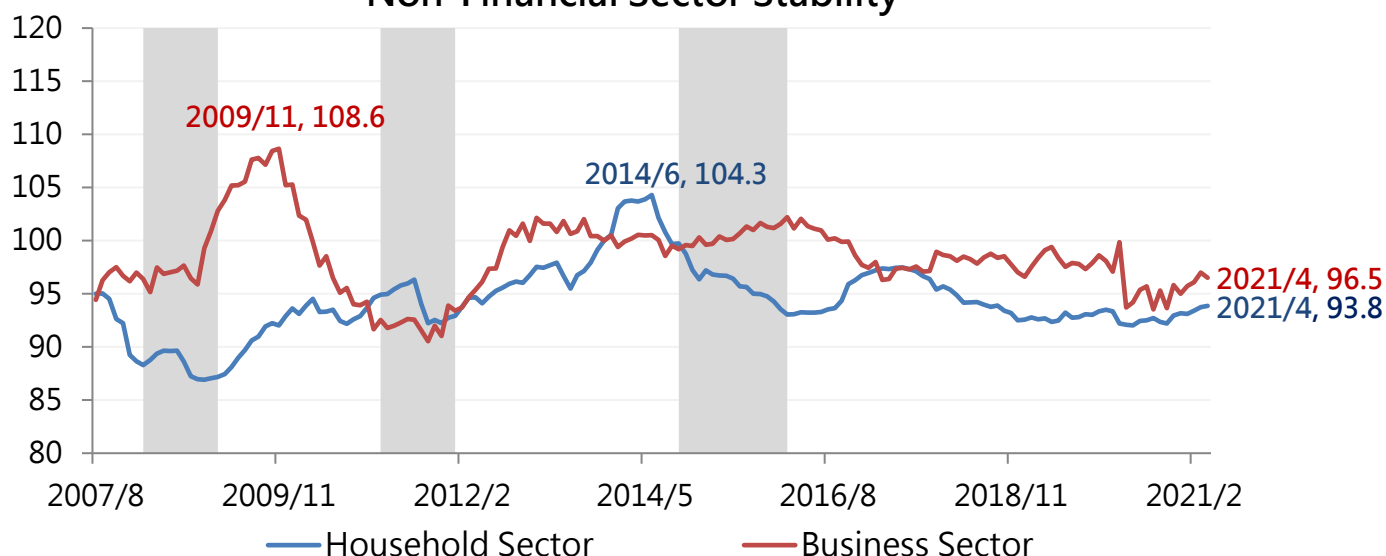
## TAIFRI dimensions



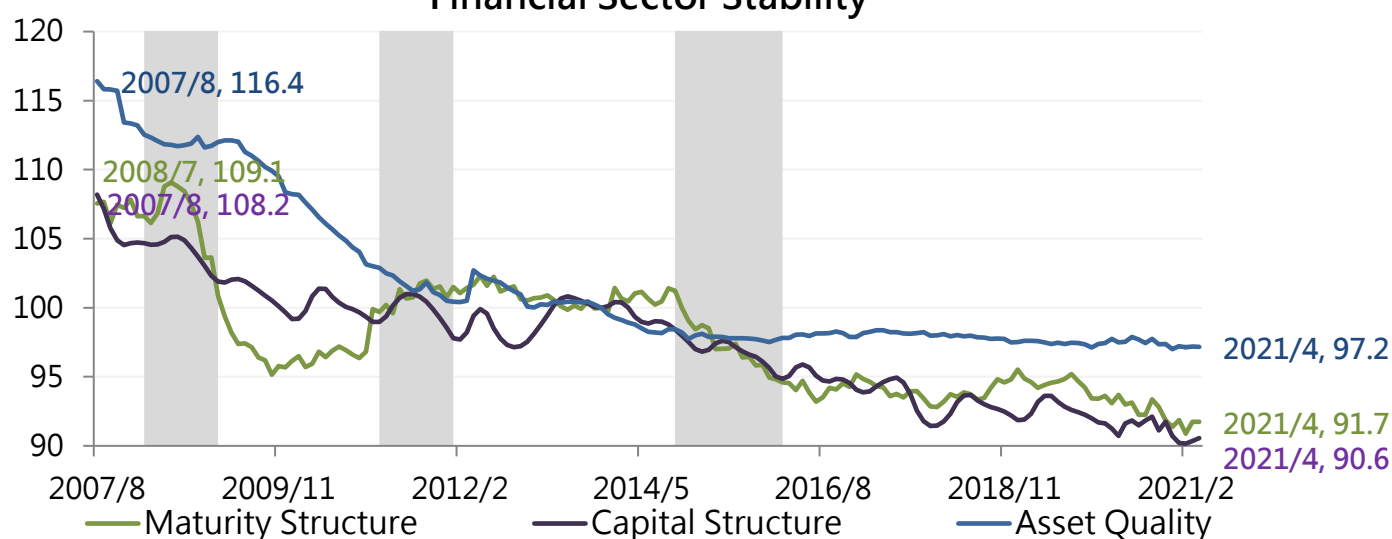
## Asset Valuation Pressures



## Non-Financial Sector Stability



## Financial Sector Stability



## Spillover and Contagion

