



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

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June TAIFRI Highlights

- June TAIFRI score 99; risk indicators fell back as domestic pandemic situation eased**

| TAIFRI | | | | |
|--------------------------|--------------------------------|----------------------------|-------------------------|--|
| 99.0 ↓ (-0.09) | | | | |
| Asset Valuation Pressure | Non-financial Sector Stability | Financial Sector Stability | Spillover and Contagion | |
| 101.1 ↓ (-0.22) | 94.5 ↑ (+0.65) | 92.6 ↓ (-0.08) | 103.6 ↓ (-0.44) | |

- Real estate market stable, stock market risks increase**

The pandemic has affected both residential and commercial rents. The price-to-rent ratio of residential housing reached a high since last November, but the loan-to-value of new mortgages in Taipei have declined for three months, showing that banks are cooperating with the government. Price registration 2.0, the new combined housing and land tax system, and the outbreak may constrain short-term prices, and overall risk remains stable. Stock P/E ratios were unaffected by the outbreak, and risk premiums have declined since May. Stock market risks rose slightly, but the Taiwan VIX fell significantly in June following the outbreak in May, indicating reduced risk of asset price fluctuations.

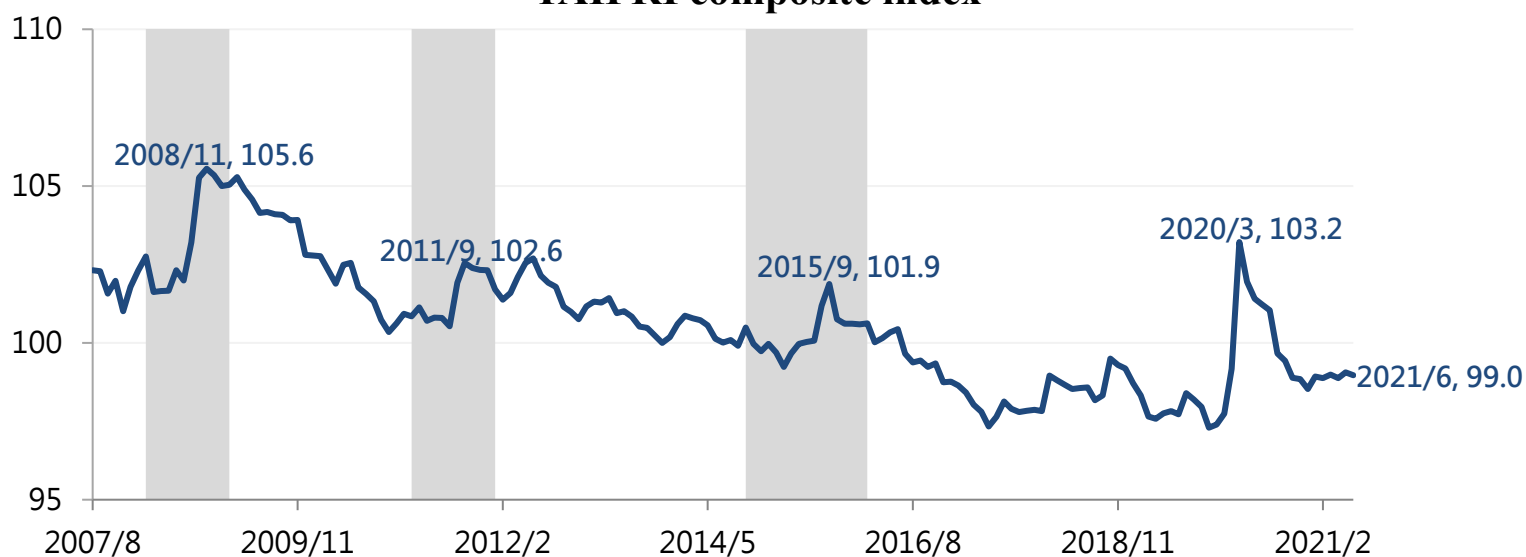
- Investment in overseas high-yield bonds remains high. Following stimulus, domestic capital tightening is not obvious**

Rates on BBB-grade corporate bonds have fallen for four months, but due to the high base period, corporate lending slowed down this month. Some industries have been deeply affected by the outbreak, and bank financing conditions have slightly tightened, however stimulus 4.0 launched in June, including relaxed standards for labor and SME loans and interest subsidies. Due to government credit guarantees, corporate capital supply did not significantly tighten.

- Risks in overseas markets have eased, but high-yield bond market investment risks require attention**

The VIX indices in major international markets all declined in May. Only Asia ex. Japan shows rising credit risk, reflecting international recovery and ample short-term funding. Domestic investment in overseas high-yield funds has exceeded 10 times that in general bonds for four months, a high since August 2018. Although international easing continues in the short term, the economic recovery and rising inflation will cause pressure on the high-yield market.

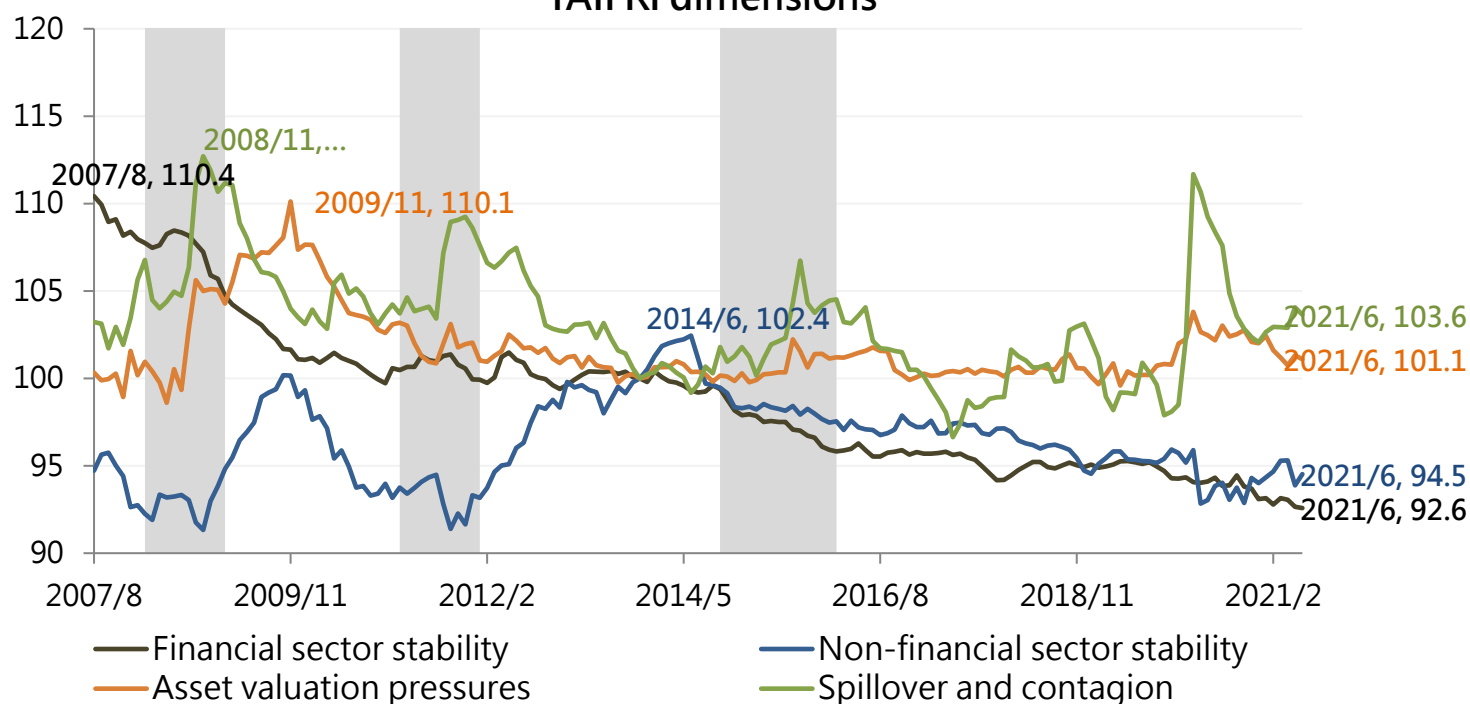
TAIFRI composite index



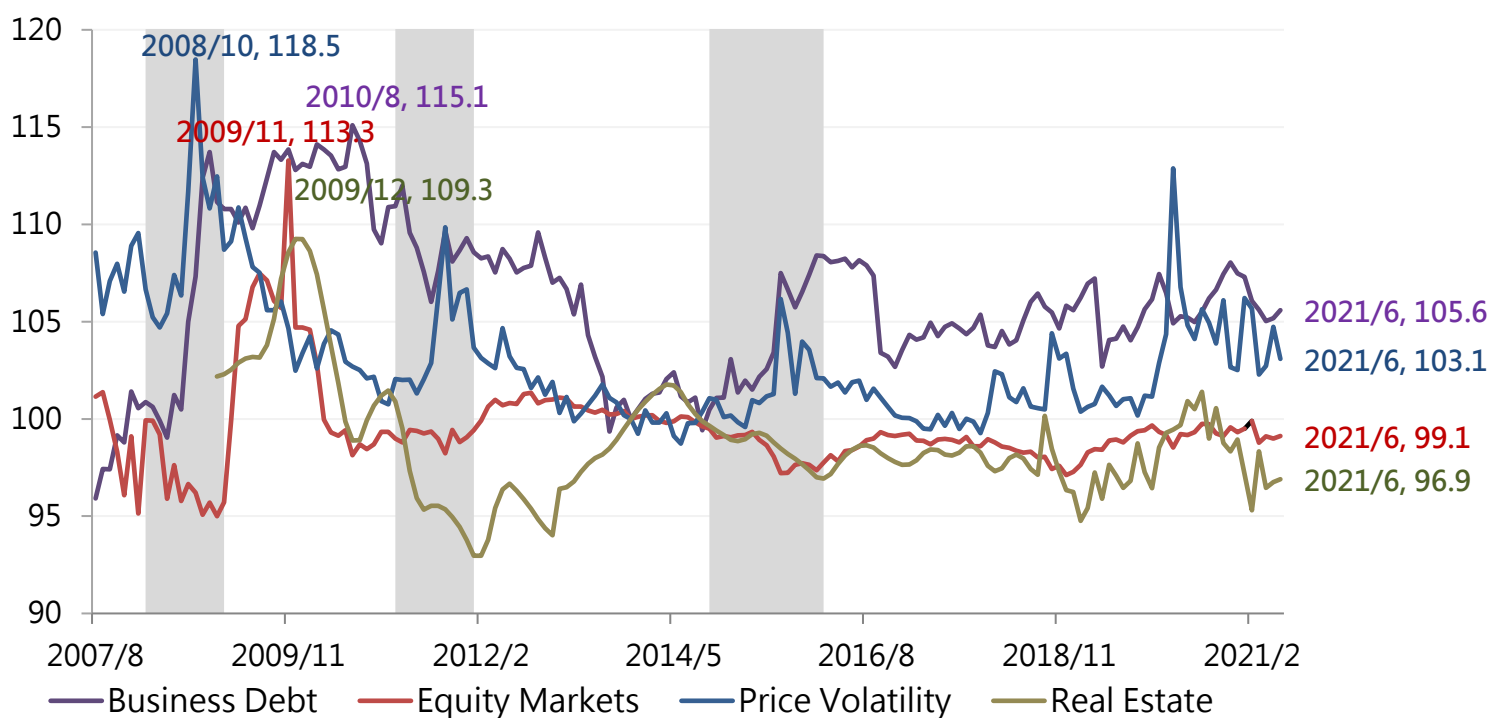
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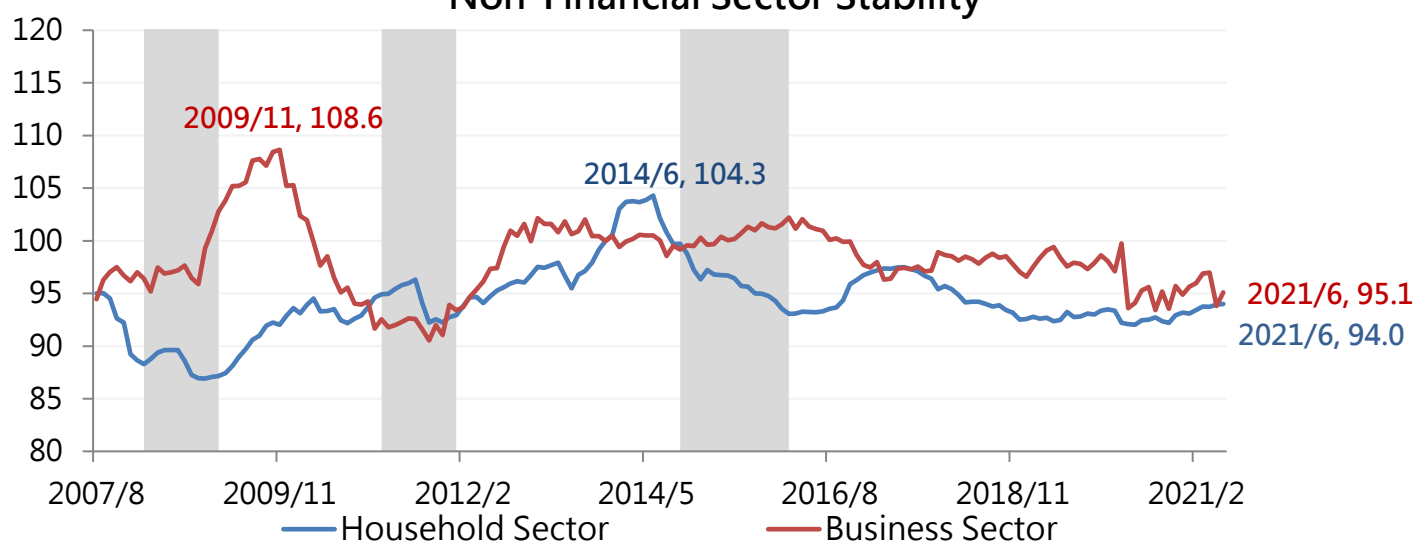
TAIFRI dimensions



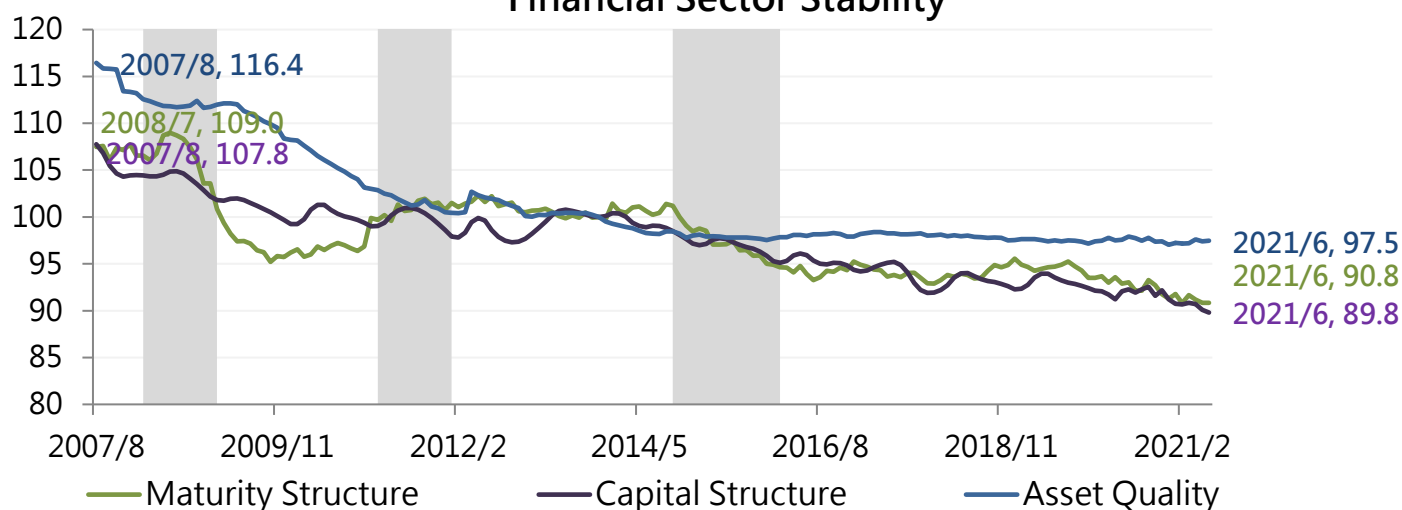
Asset Valuation Pressures



Non-Financial Sector Stability



Financial Sector Stability



Spillover and Contagion

