



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

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October TAIFRI Highlights

- October TAIFRI score reached 100.0, up 2.1 from September**

TAIFRI			
100.0 (▲2.1)			
Asset valuation pressures	Non-financial sector stability	Financial sector stability	Spillover & contagion
106.0 (▼0.3)	66.3 (▼0.5)	78.9 (-)	148.9 (▲9.2)

- Stock market volatility risk remains high**

Taiwan P/E ratio was 9.3x the initial estimate, falling below double digits for two months in a row. The Taiwan VIX fell slightly, but it was still the second highest since March 2021, showing continued volatility risk. In real estate, residential rents have risen, but at a slower rate; sales prices have not changed significantly. Annual growth of commercial office rents in 3Q hit a nearly year-long high, and annual growth of prices hit a high since 2015, which should not be affected by short-term changes.

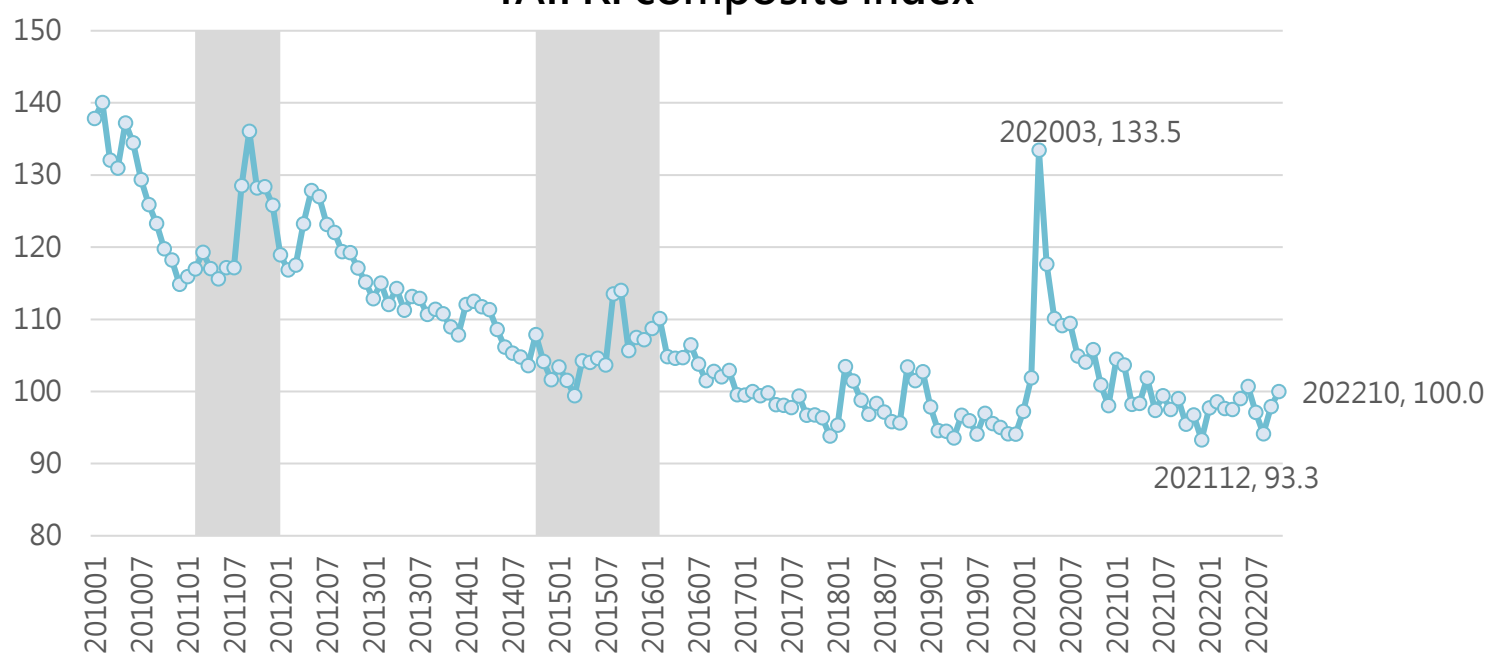
- Overseas market and credit risk continued to rise**

The VIX and credit default swap (CDS) indices in the US, China, Japan, and EU have risen for two months. The VIX in China hit a record high since April 2020, and CDS in Asia ex-Japan hit a nearly decade-long high. Fed tightening has put pressure on Asian currencies, increasing overseas market and credit risks. Domestic contagion risk has fallen for four months, hitting a low for 2022.

- Banks' asset quality and corporate lending grew steadily**

NPL and bad debt coverage ratios remained stable. Average capital adequacy ratios have remained at 14%-15% the whole year, and capital structure remains sound. Corporate lending has grown at double-digit rates since July, and is not expected to fall.

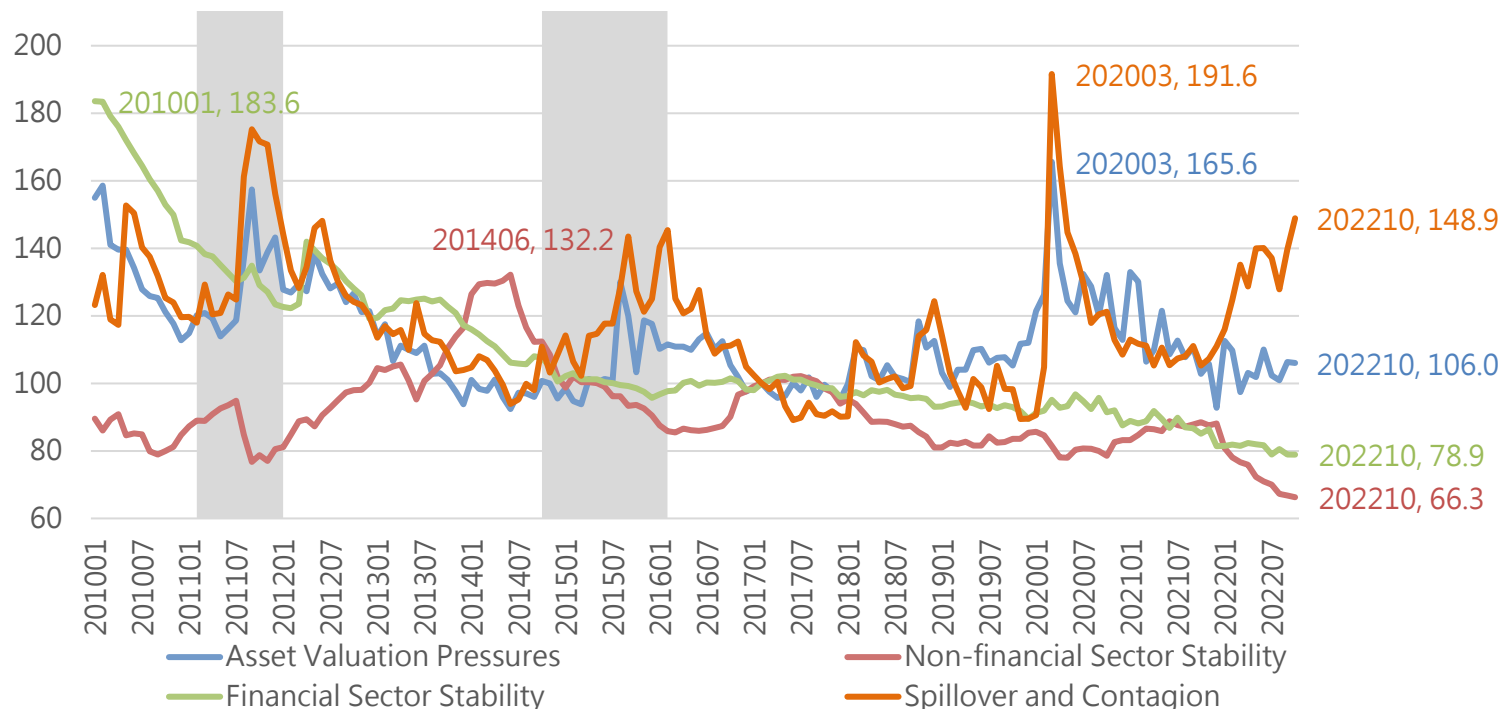
TAIFRI composite index



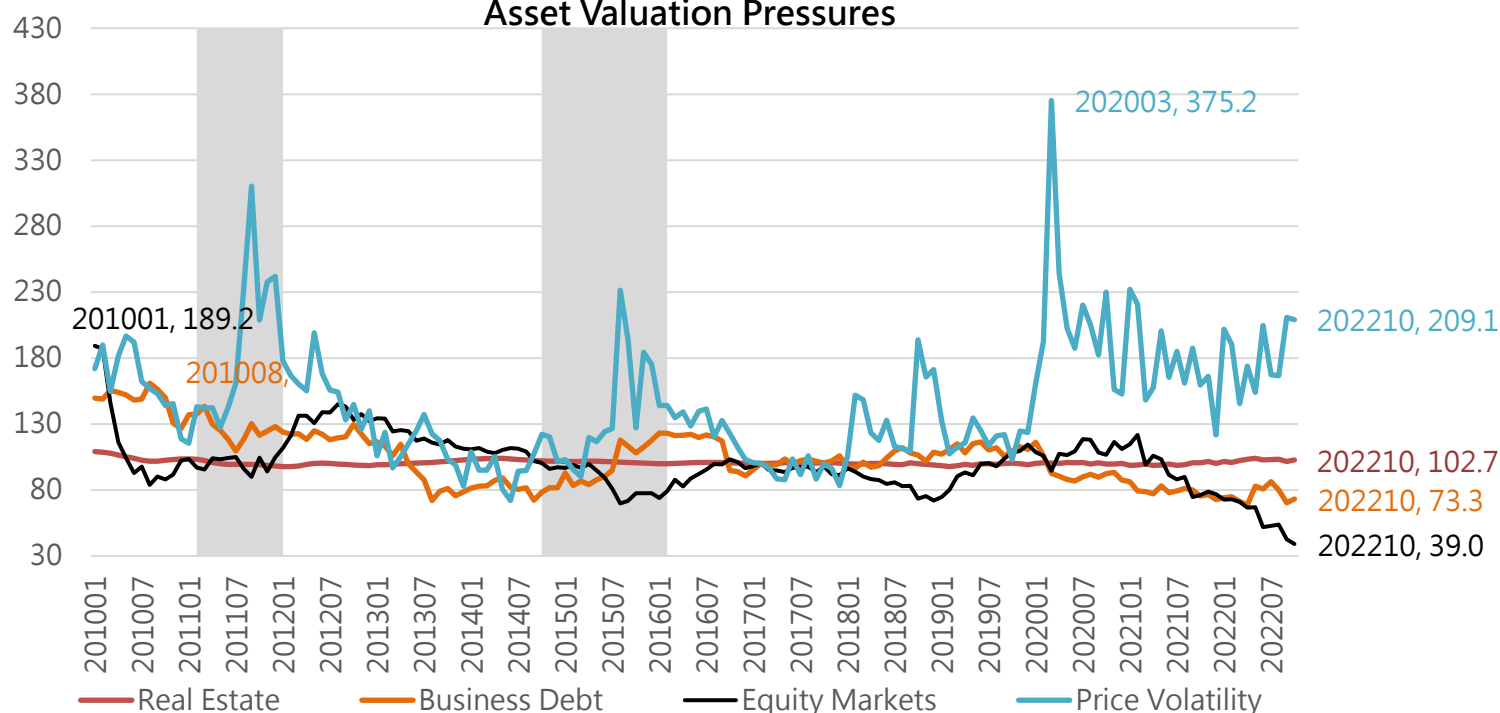
Source: TABF

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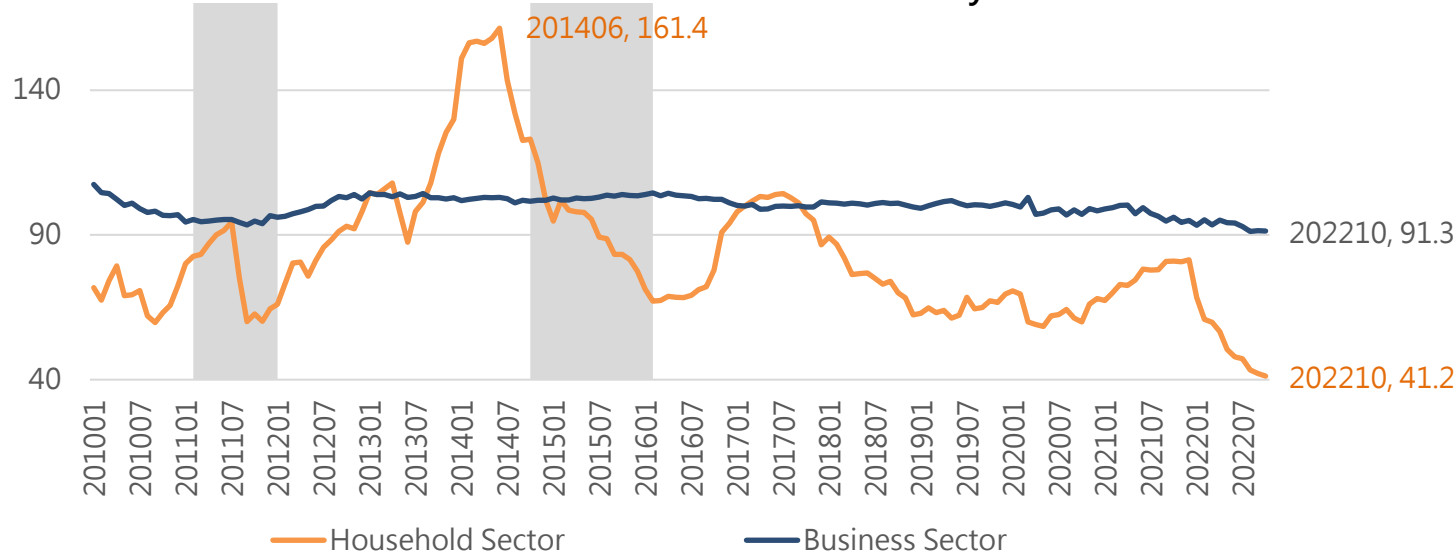
Four Pillars of TAIFRI



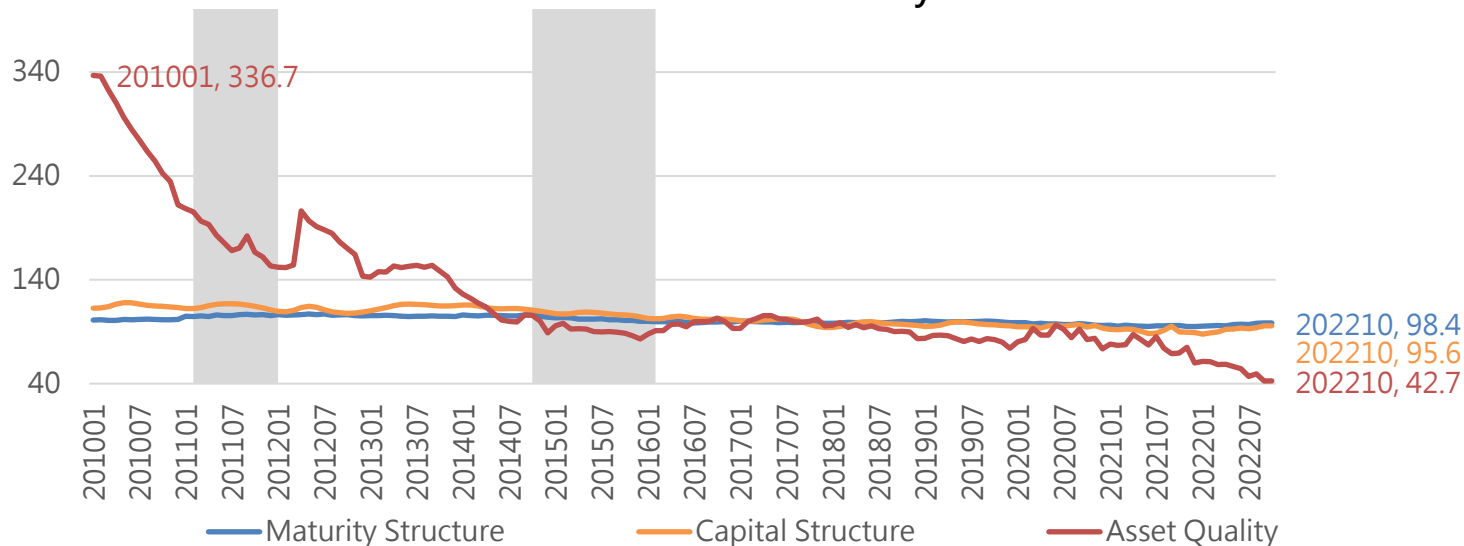
Asset Valuation Pressures



Non-financial Sector Stability



Financial Sector Stability



Spillover and Contagion

