

Taiwan stocks may get mainland access soon

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Mainland investors will be able to access Taiwanese stocks after the respective bourses iron out the modalities for cross-listing exchange traded funds (ETFs), according to leading market experts.

Taiwan Stock Exchange Chairman Schive Chi said that the Shanghai and Taiwan bourses would start talks on cross-listing ETFs and indicated that a memorandum of understanding would be signed soon.

Taiwan-based securities house Polaris Securities said because of their diversity, ETF products carry lesser risks for mainland investors, especially for those who have little knowledge about the Taiwan market.

Polaris Securities Managing Director of Research Odie Ou welcomed the cross-listing moves and said ETFs are the ideal introductory vehicles.

"Many overseas investors know only one or two large Taiwanese brands, such as Foxconn," he said. "Mainland investors can avoid blindly investing in Taiwan stocks with a balanced investment portfolio of ETFs."

Ou said the brokerage plans to introduce an ETF, which tracks the performance of the Top-50 Taiwan enterprises, in the Hong Kong market in the first quarter. Similar products would also be available on the mainland after listing hurdles are removed, he said.

Taiwan ETF products underwent a rapid growth over the past few years. Between 2003 and 2008, there were 10 Taiwan ETFs listed in overseas markets and they had raised funds of NT\$3.9 billion.

China Merchants Securities (HK) Managing Director Ronald Wan said he believes the mainland and Taiwan can reach an agreement within a year to allow mainland investors to purchase Taiwan stocks. But mainland investors are still not that enthusiastic about the Taiwan market, he said.

"Many mainland investors are not familiar with the market," he said. "With its immature financial system and unstable political environment, they might take a wait-and-see investment strategy toward the emerging market."

JP Morgan Asset Management Vice President of Investment Services Grace Tam said the scope of the Taiwan market is too narrow to attract overseas investors.

However, she believes the mainland and Taiwan bourses will soon reach a consensus on the cross-listing of ETFs.

Ou said the market-valuation-to-GDP ratio of Taiwan remains at an eight-year low, and he believes the index has room to pick up from the 4,000 level last November to around 6,000 this year. (China Daily)

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