

Taiwan's Convertible Bond Market: A Rising Force in Asia

Taiwan's convertible bond market is growing rapidly, led by tech issuers, increasing USD offerings, and expanding sectoral diversity.

Executive Summary

The Taiwanese convertible bond (CB) market has witnessed an extraordinary surge in issuance, making it one of the fastest-growing segments in the Asia-Pacific region. A few key themes are emerging as a result, including:

- Increasing USD-denominated issuances provide a gateway for global investors to tap into Taiwan's equity-linked debt market.
- Technology issuers dominate the market, creating sectoral concentration risks but also liquidity benefits.
- Diverse issuance across sectors such as healthcare, real estate, and industrials are still accessing domestic market.

Introduction

The Taiwanese convertible bond (CB) market has witnessed an extraordinary surge in US dollar denominated issuance, making it one of the fastest-growing segments in the Asia-Pacific region. As issuers seek alternative financing solutions and hedge funds continue to refine their convertible arbitrage strategies, Taiwan's CB market is becoming an increasingly important player. This paper explores the key trends shaping the market, sectoral dynamics, and opportunities for investors and issuers alike.

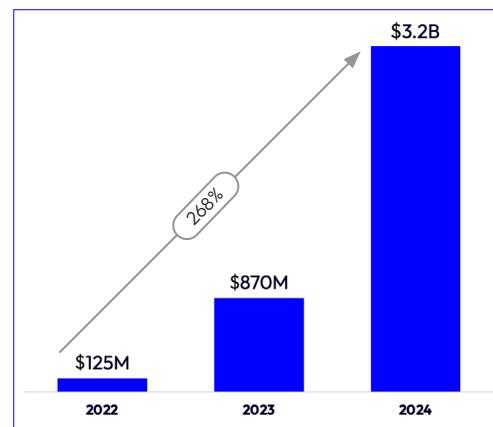
Taiwan's convertible bond market is no longer a niche—it's becoming a critical player in Asia's capital markets.

Explosive Growth in Issuance

Taiwan's convertible bond issuance reached \$3.2 billion USD in 2024, representing a 268% increase year-to-date (YTD). Compared to 2023's \$870 million USD issuance, this marks a staggering 596% year-over-year growth.

To put this into perspective, Taiwan's total USD CB issuance was just \$125 million in 2022, underscoring the exponential expansion within a short time frame. This growth is driven by a combination of favorable market conditions, increased issuer participation, and strong investor demand for hybrid securities.

Taiwan's Convertible Bond Issuance Growth (2022-2024)



source: Numerix

Taiwan's Position in the Asia-Pacific Convertible Bond Market

While Taiwan remains smaller in absolute issuance compared to other major APAC markets, this acceleration signals that Taiwan is evolving from a niche player into a substantial hub for convertible bond activity. Notably, Taiwan's convertible bond market differs from other APAC markets due to its significant issuance in USD-denominated bonds, which enhances its appeal to global investors. The liquidity of the US dollar provides greater flexibility for hedging and trading, distinguishing Taiwan from regional counterparts where local currency issuance dominates.

For hedge funds running convertible arbitrage strategies, this presents an emerging opportunity to generate alpha in a market that is growing in depth and liquidity.

Sectoral Trends: Technology Leads the Way

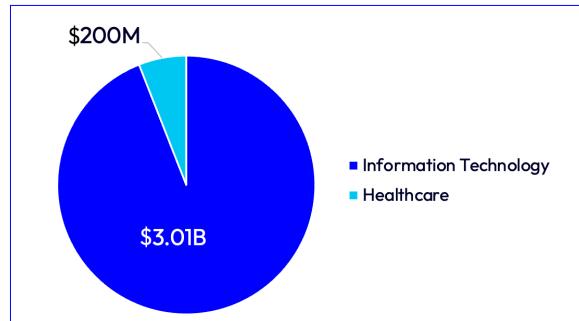
Taiwan's convertible bond (CB) issuance is overwhelmingly concentrated in the Information Technology sector, which accounts for \$3.01 billion USD of total issuance in 2024-2025*. The Healthcare sector follows with \$200 million USD, reflecting growing investor interest in biotechnology and medical innovation.

A key distinction in Taiwan's CB market is the contrast between USD and TWD-denominated issuances. While technology and healthcare firms tend to issue in USD, allowing them to access global capital and benefit from greater liquidity, other industry sectors—such as Real Estate, Consumer, and Industrials—primarily issue TWD-denominated CBs. These local currency convertibles tend to be smaller in size and cater more to domestic investors who may prefer instruments tied to the TWD.

This trend reflects sector-specific financing strategies, where large-cap tech firms seek international funding through USD-denominated CBs to support global expansion and R&D investments, whereas local industries like real estate and industrials issue smaller-sized convertibles in TWD to finance regional projects and operations. This bifurcation in currency preference and issuance size is a key characteristic of Taiwan's evolving CB market.

Technology issuers continue to dominate, but growing participation from healthcare and industrials is broadening Taiwan's CB market appeal.

Sectoral Breakdown of Taiwanese CB Issuance (2024-2025)*



source: Numerix

Regulatory Environment: Strengthening Market Integrity

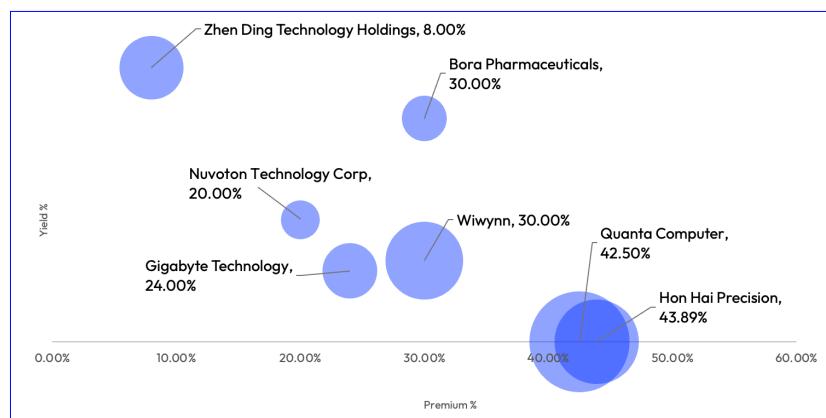
Taiwan's regulatory framework for convertible bonds has evolved to balance market development with investor protection. The Financial Supervisory Commission (FSC) oversees bond issuance and trading, while the Taipei Exchange (TPEx) and Taiwan Stock Exchange (TWSE) provide the trading platforms. Regulatory enhancements have played a key role in improving market integrity, especially since 2017, when the FSC introduced reforms to increase transparency and prevent market abuses. These reforms included competitive auction and book-building mechanisms to ensure fair pricing, which led to higher conversion premiums and improved secondary market liquidity. Issuers must comply with stringent prospectus disclosure requirements and exchange approval processes, ensuring transparency for investors. Furthermore, the Market Observation Post System (MOPS) facilitates real-time disclosure of convertible bond terms, supporting informed decision-making. With strong oversight, Taiwan's regulatory landscape continues to foster a robust and investor-friendly convertible bond market, bolstering both domestic and international confidence.

*2025 issuance data includes only January and February.

Convertible Bond Structures: Premiums and Yields

The 2024-2025 convertible bond market reflects a fascinating shift in issuer strategy and investor appetite. Tech giants like Hon Hai Precision and Quanta Computer are commanding significant premiums—both exceeding 40%—while offering zero-yield structures, a clear signal that investors are prioritizing equity upside over fixed income returns. At the other end of the spectrum, issuers like Zhen Ding Technology Holdings and Bora Pharmaceuticals are balancing moderate premiums with positive yields, appealing to a different class of investors seeking a mix of income and equity participation. The size of these deals, as reflected in the market, reinforces a broader trend: larger issuances are favoring low-yield, high-premium structures, a testament to investors' growing confidence in equity-driven returns. As the landscape continues to evolve, the convertible bond market is proving once again that it is as much about positioning and sentiment as it is about financing.

2024-2025YTD USD Issuance: Yield vs. Premium (Bubble Size = Issue Size)



source: Numerix

For hedge funds running convert arb strategies, Taiwan's diverse CB landscape presents new avenues for structured arbitrage and relative value plays.

Looking Ahead: The Market Outlook for 2025

As of early 2025, the market has already seen \$150 million USD in new convertible bond issuance, indicating a strong start to the year but at a slower pace compared to 2024's record issuance levels. Despite this initial moderation, sustained demand for convertible financing is expected as issuers continue to seek flexible capital-raising alternatives.

Maturities are extending to 2030, reflecting long-term issuer confidence in market stability. Given the trajectory of interest rates, inflation, and broader global economic conditions, Taiwan's CB market is likely to remain a key financing mechanism for issuers and a fertile ground for hedge funds seeking arbitrage and relative value opportunities.

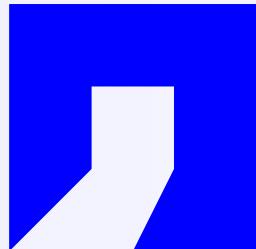
Concluding Commentary

Taiwan's convertible bond market is undergoing rapid transformation. While technology firms remain the dominant issuers, new sectoral entrants are broadening the landscape. For convertible arbitrage traders, portfolio managers, and risk specialists, Taiwan represents both an emerging opportunity and a market that requires navigation. With increasing liquidity and high conversion premiums for U.S. denominated issuance, Taiwan's convertible bond market is poised to play an increasingly important role in global CB trading strategies.

Kynex from Numerix: Enhancing Convertible Bond Analytics

As the Taiwanese convertible bond market continues to expand, advanced analytics and pricing tools are essential for issuers and investors seeking to navigate market complexities. Numerix's Kynex offers a powerful platform for convertible bond valuation, risk management, and arbitrage modeling. Kynex provides traders and portfolio managers with real-time pricing, scenario analysis, and volatility surface modeling, enabling them to optimize hedging strategies and enhance return potential. With Kynex, hedge funds running convertible arbitrage strategies can leverage cutting-edge analytics to identify opportunities, model credit and equity sensitivities, and maximize risk-adjusted returns.

Additionally, Kynex integrates seamlessly with multi-asset pricing and risk frameworks, allowing financial institutions to maintain a holistic view of convertible bond exposures across portfolios. As Taiwan's market matures, sophisticated tools like Kynex will become increasingly vital for market participants looking to gain a competitive edge.



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