



MacroSpotlight

Beware the Hidden Dollar Bet in Asian Equities

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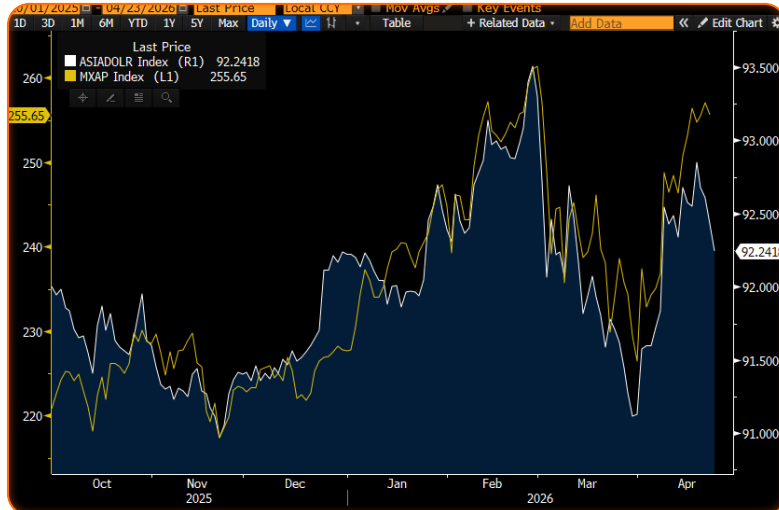
You think you're running an equity book. You may also be running an FX trade.

BOTTOM LINE

Asian equities need a weak US Dollar. Right now, that exposure is at multi-year extremes, and most books aren't sizing for it.

THE SETUP

March's sharp drawdown in MSCI Asia Pacific coincided almost exactly with a resurgent USD. The relationship is not new. But the market is currently ignoring the latest dollar move – creating a potential gap between what investors think they own and what they actually own.



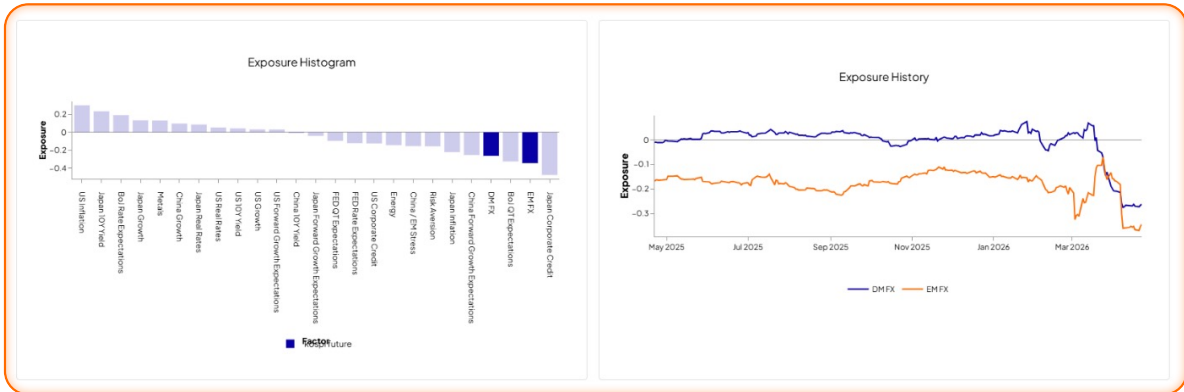
THE KOSPI CASE STUDY

Using KOSPI as a lens, Qi's MFERM shows dollar exposure has increased sharply. Both DM FX (USD Trade Weighted) and EM FX (USDCNH) sit among the top factor exposures – and both have risen significantly in recent weeks.

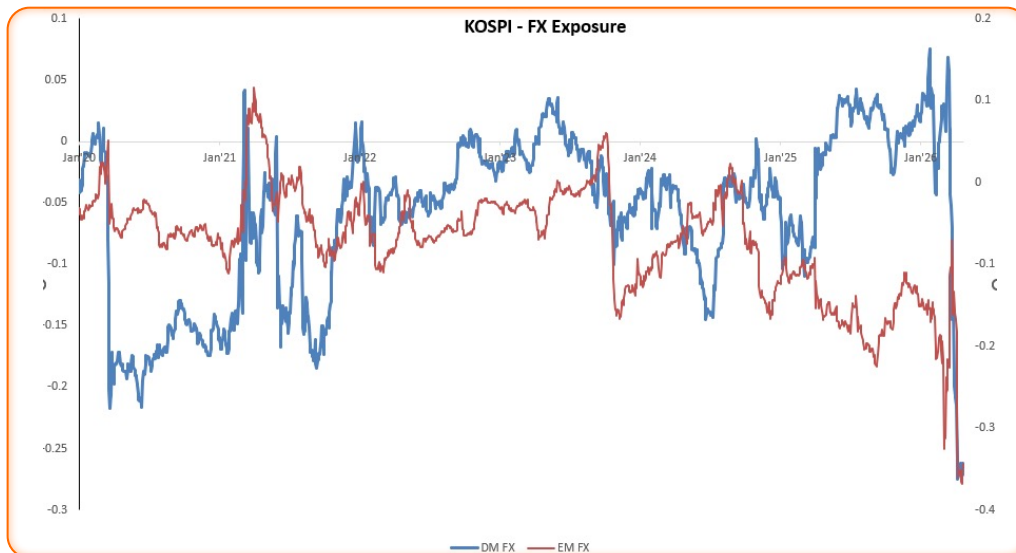
Zoom out and the picture sharpens further. KOSPI's sensitivity to a weak Dollar is at its highest point in the past year.



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Indeed, a longer historical picture shows KOSPI's desire for a weak Dollar is at multi-year extremes.



THE IMPLICATION

This is an index-level observation. But if the pattern holds at the stock level - and MFERM can tell you whether it does - many Asian equity books are running an unintended Dollar short. Not a deliberate macro view. An accidental one.

That distinction matters. Accidental exposures don't get managed. They just sit there until the Dollar moves.

WHAT TO WATCH

A sustained USD rally from here is the risk trigger. The question for any Asian equity PM is simple: how much of your book's sensitivity to that move do you actually know about?



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