



MacroSpotlight

South Korea or Taiwan? The AI Trade Has a Macro Fault Line.

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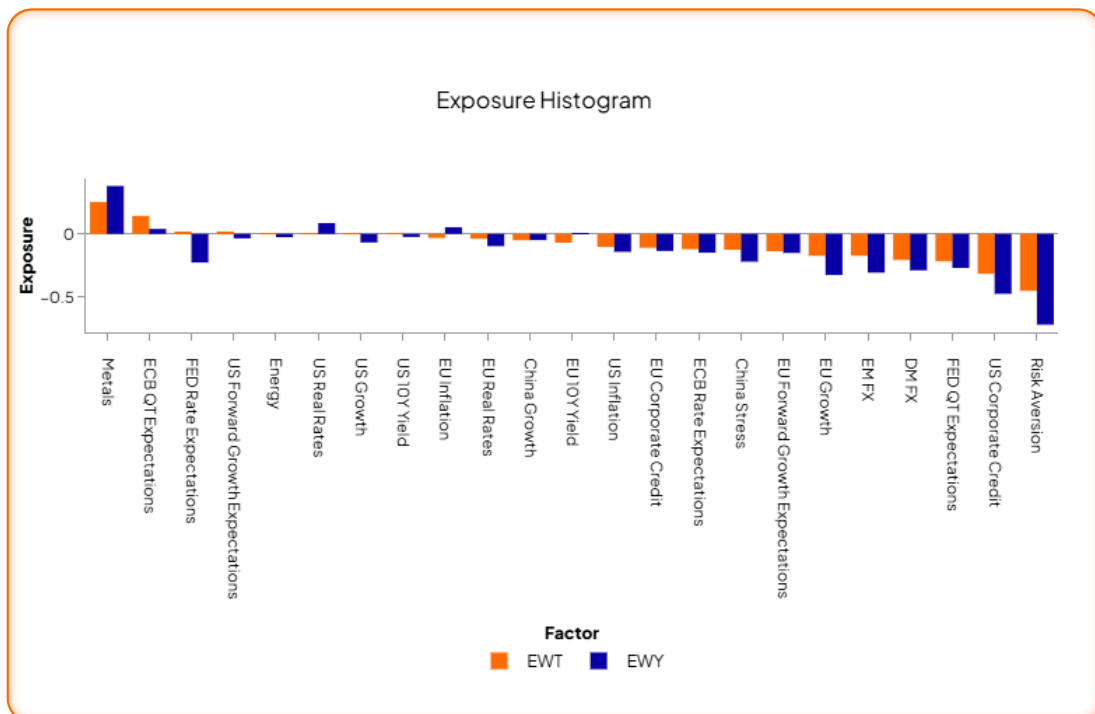
South Korea or Taiwan? The AI Trade Has a Macro Fault Line.

Bulls are still buying. Goldman just raised targets on both, calling for further double-digit gains. The AI revolution thesis is very much intact.

But EWY and EWT are not the same bet.

Stock pickers will agonise over Samsung versus TSMC as their foundry pick. Over Samsung versus SK Hynix as a memory play. That's the right conversation but it's not the only one. Every position, every ETF, sits inside a macro environment it cannot escape.

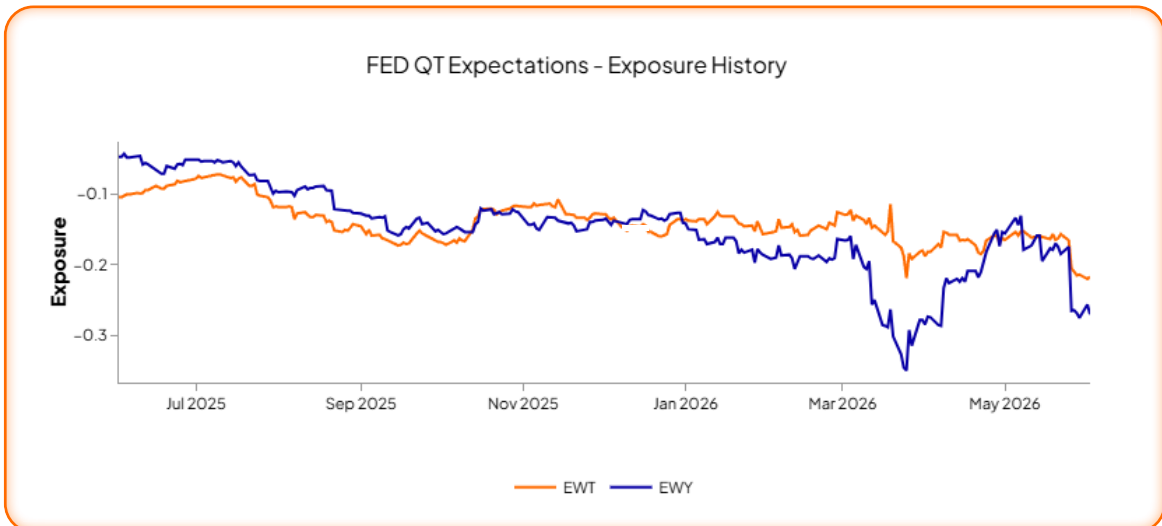
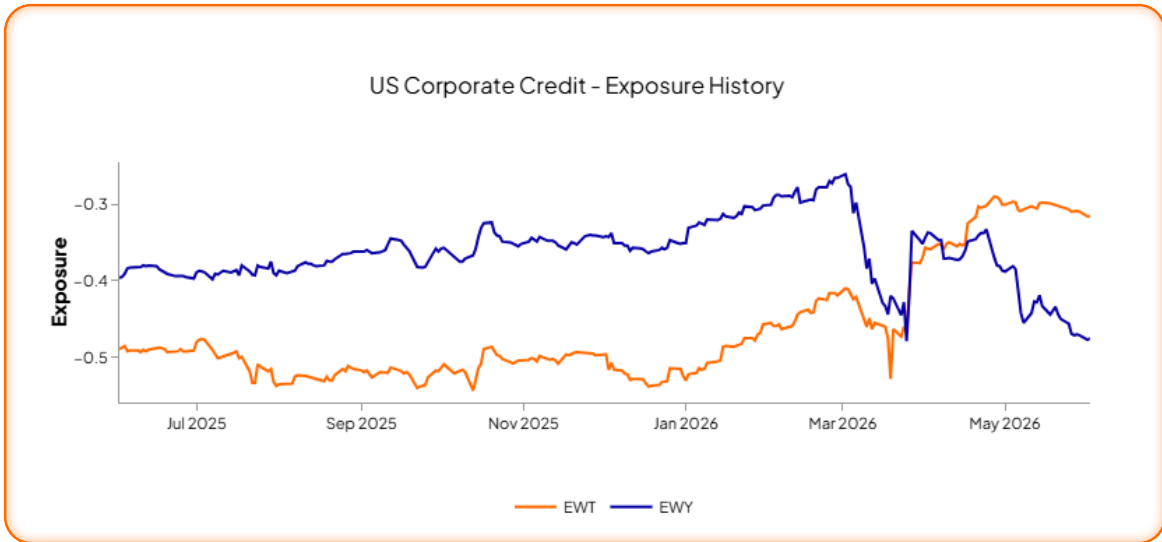
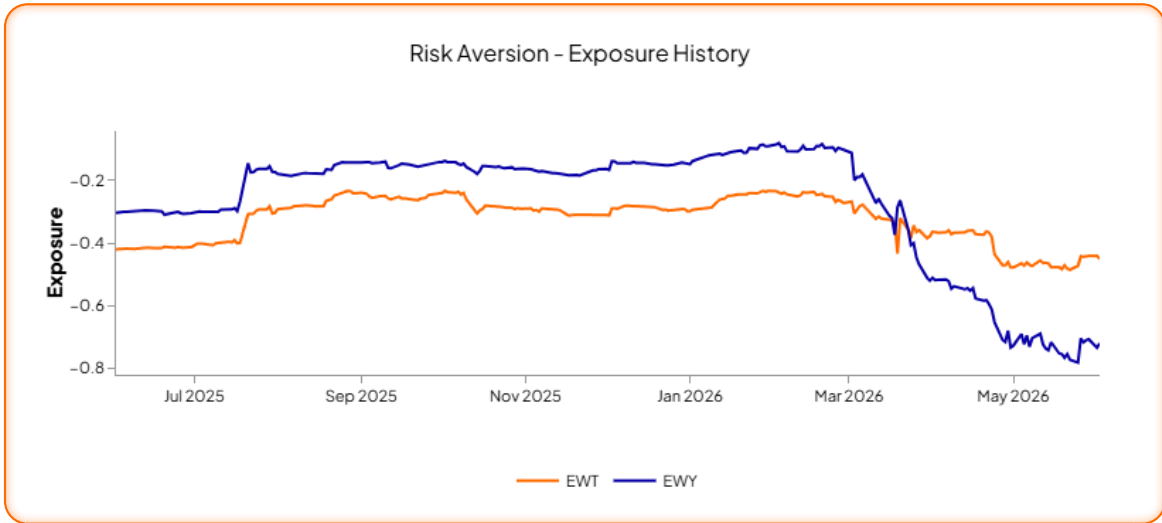
Qi's Macro Factor Equity Risk Model maps that environment precisely. The first chart shows factor exposures for both ETFs. The direction is similar; the magnitude is not.



The inflection point was March. As the Iran conflict broke, EWY's sensitivity to risk aversion, US high yield spreads and rate volatility all moved more negative than EWT's.



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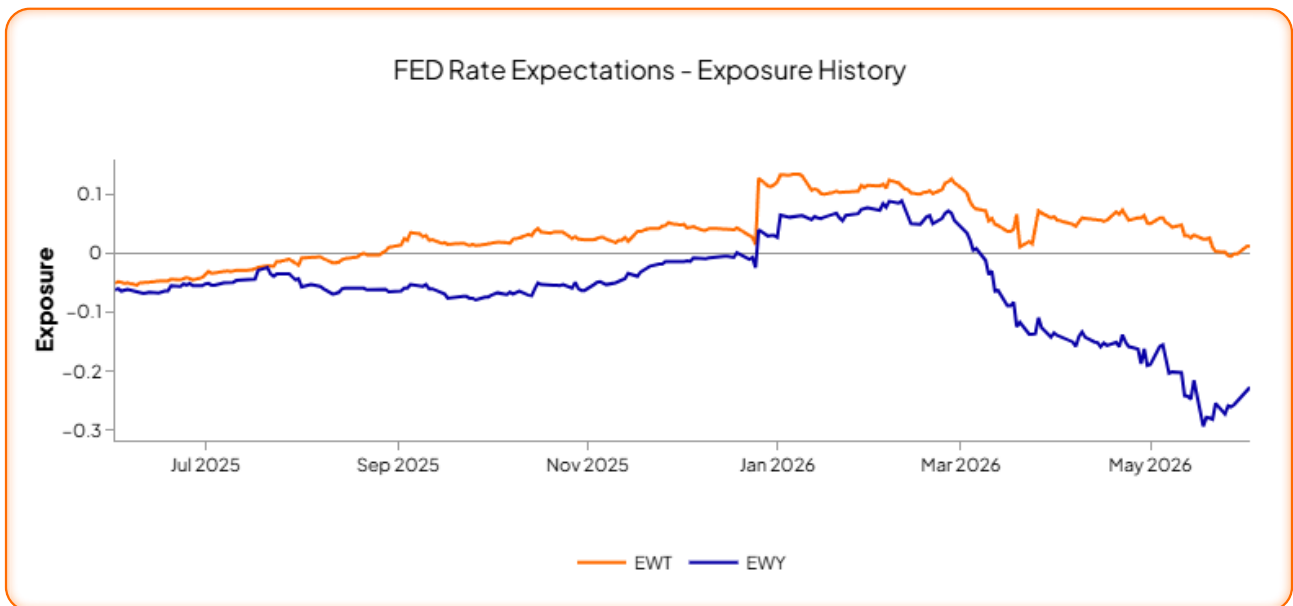




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South Korea became more dependent on the benign backdrop than Taiwan, and has stayed that way.

The divergence that matters most is Fed rate expectations. EWT is broadly indifferent; EWY has moved more negative. South Korea needs Warsh to cut. Taiwan can live without it.



Both markets are beneficiaries of the same secular theme. But if the macro backdrop shifts, the drawdown will not be symmetric. Risk-off, a credit event, or a bond market tantrum all hit S Korea harder.

The AI thesis may be the same. The macro risk running underneath it is not.



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