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FX TMT

Tech and FX: short-term volatility may cloud long-term trend

It has been a tough week for chipmakers, especially those in Korea. Foreigners have withdrawn \$10bn from Korean equities this week, driving USD/KRW to levels last seen in 2009. While we remain constructive on the fundamental picture for the technology sector, there could be more short-term volatility, outflows and pressure on tech-driven currencies



Microsoft data centres in the Netherlands

Tech stock fundamentals continue to look solid

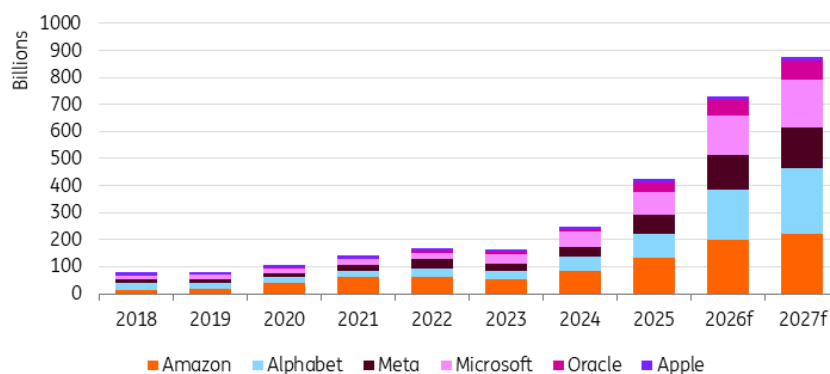
It has been a volatile week for tech stocks, but the way we look at the broader technology markets is that the fundamentals for the semiconductor sector continue to look strong. This is because we expect investment in AI data centres to continue. We are also comfortable with current valuations for the equity sector, as the two-year forward-looking price earnings ratio for the Nasdaq continues to trade around its historical average, which is a low 20s earnings multiple. As the equity valuations are based on forward-looking earnings, it is important to note that for many names, FY27 sales expectations are being revised higher.

Volatility may increase on technical market factors

However, risks arise on the back of technical factors. As the market expects a couple of blockbuster IPOs, such as SpaceX, Anthropic and OpenAI, investors may look to rebalance portfolios, to make room for new investment opportunities. This could lead to some selling pressure for established benchmark names. Also, large technology platforms are well into a heavy investment cycle. So far, they have been able to raise the required cash from existing cash flow and additional debt. However, they are now increasingly resorting to equity financing, as we have witnessed from Alphabet's recent equity offering. Also, as expectations for growth are high, any disappointment on projected growth may lead to a price adjustment of the respective stock. This is our take of the Broadcom sell-off, yesterday. This becomes especially relevant as the macroeconomic outlook becomes more uncertain.

The chart below shows that the world's largest technology companies are expecting to invest more than US\$700bn in 2026.

Hyperscalers well into the investment cycle



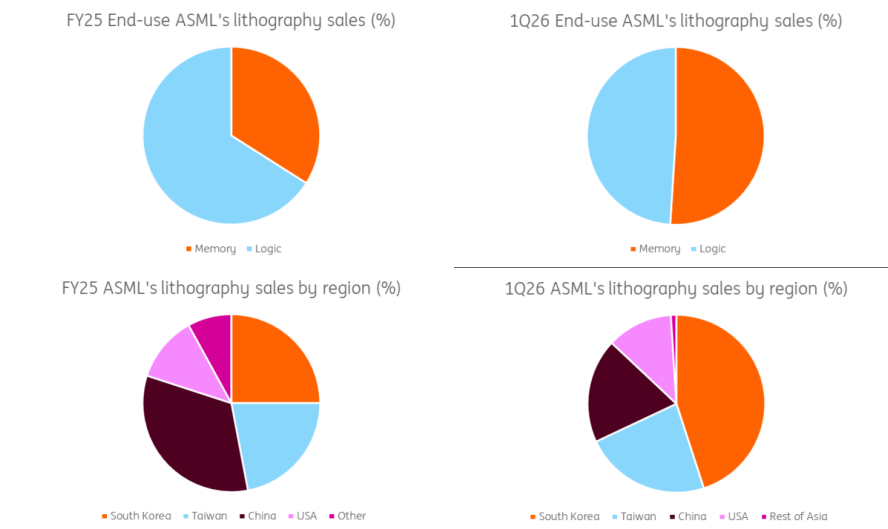
Source: Refinitiv

Our fundamental outlook on the semiconductor sector remains positive. Large technology companies are ramping up compute capacity to capture market share in the future technology, generative AI and agentic AI. And despite a rough week for semiconductor stocks, the sector is unlikely to meet demand in the near future. TSMC's CEO C. C. Wei said on Thursday that supply won't catch up with demand for years.

As frontier AI models require large volumes of advanced memory chips, manufacturers are expanding production capacity. Two of the three largest producers are based in South Korea. Data from ASML, a leading Dutch supplier of semiconductor manufacturing equipment, shows that South Korean memory suppliers are expanding capacity, as is Taiwan. Taiwan is home to TSMC, the world's largest pure-play foundry for logic semiconductors, which manufactures chips used in AI servers. As we foresee challenges in ramping up semiconductor manufacturing capacity in the near future, the pricing environment for advanced semiconductors remains

positive, as does the fundamental outlook for the share prices of these companies.

Korea expands semiconductor capacity



Geopolitics and the KOSPI weigh on the Korean won

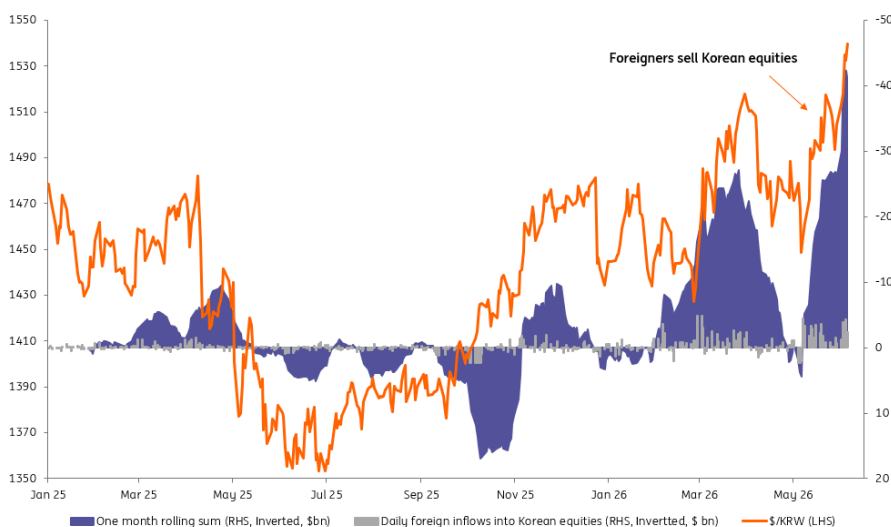
The large sell-off in Korean chipmakers has certainly been felt across Korean asset markets this week. High energy prices and growing expectations of a Federal Reserve rate hike have presented a negative backdrop for the won. At the same time, volatility in the local KOSPI has led to a sharp depreciation in the currency. [As we previously noted](#), the equity index's outstanding rally earlier this year triggered portfolio rebalancing, which has resulted in a softening of the won. And given the two major chipmakers' account for nearly 40% of market capitalisation, tech stock swings dominate the overall market and the won. That foreign selling seems to have accelerated now that the index has turned lower.

Adding to the local story, Korea last week launched single-stock leveraged ETFs linked to Samsung and Hynix for the first time. This has probably added additional market volatility. These products are mostly held by local retail investors, so they are unlikely to directly weaken the KRW, but they could still weigh on overall sentiment. With foreign net selling this year (\$76bn) almost matching the current account surplus, foreign positioning in the KOSPI has now become the main driver of the won.

We believe the authorities have likely conducted smoothing operations throughout this week, helping to keep USD/KRW below 1,550 for now. Bank of Korea Governor Shin Hyun-song has warned in public speeches that speculative moves will not be tolerated, and we expect strong intervention if the KRW weakens beyond 1,550. Whilst these measures will not reverse the trend of a weaker won, they will prevent speculative positions from increasing further.

We expect USD/KRW to stay above the 1,500 level in the near term. We still believe that USD/KRW is likely to trade below 1,500 if geopolitical risk eases. However, depending on the performance of the KOSPI and semiconductor stocks, the won's appreciation potential is likely to be limited to the 1,450 won mark.

Foreign net selling of Korean equities weighs on KRW



Source: Korea Exchange, ING calculations

A broader tech sell-off would leave EM FX vulnerable

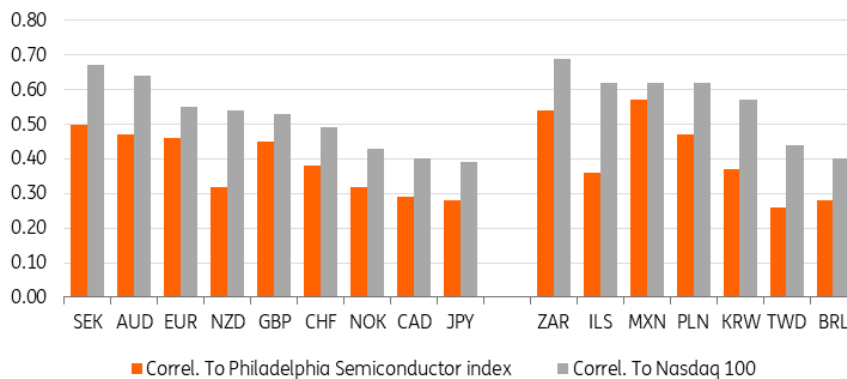
Unlike the near 300% gain seen in some of the Korean chipmakers, Taiwan's TSMC is 'only' up 60% year-to-date. Today has seen foreign net-selling of both Korean and Taiwanese equities to the tune of around \$2.5bn, but looking at quarter-to-date figures, a net \$248mn has gone into Taiwan versus the enormous \$37bn which has left Korea.

The Taiwanese dollar has held up far better than the Korean won. This is probably because of fewer outflows and also because it is seen as a more controlled currency. This can be seen in the FX options market, where implied or expected one-month volatility for USD/TWD trades at only 4.7% versus 11.4% for USD/KRW.

That brings us to the broader subject of tech-driven currencies and those currencies which would be the more vulnerable were tech stocks to have a volatile couple of months.

Below we show the daily correlations, via dollar cross rates, between a group of currencies against both the Philadelphia Semiconductor Index (SOX) and the broader tech sector represented by the Nasdaq 100.

FX daily correlations with US tech since 1 April 2026



Source: ING calculations

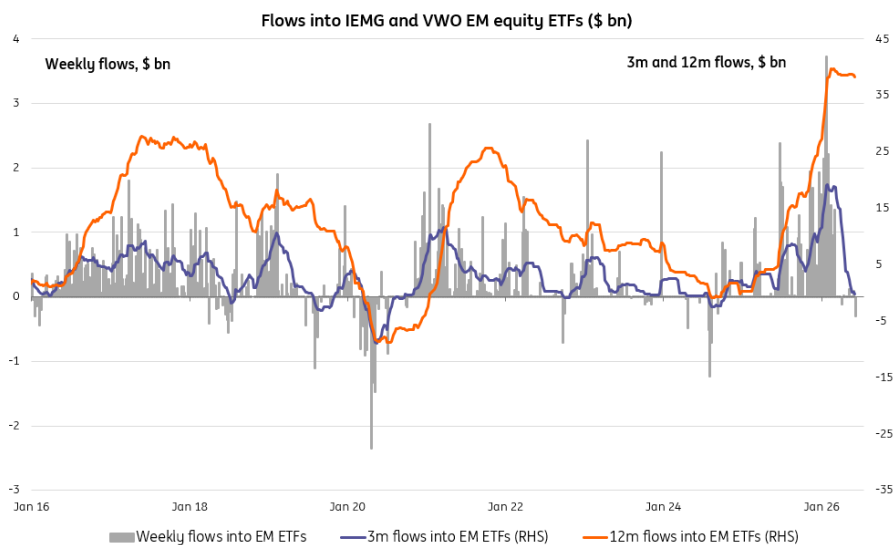
Looking at correlations since the tech sector began to surge at the start of April, within the G10 space, it is the Swedish krona which retains its mantle as the most tech-sensitive currency, while the yen is the least correlated to the sector. And somewhat surprisingly, it looks like the big beasts in EM FX are trading collectively against tech on a pro-risk basis.

Aside from the won and the Taiwanese dollar, which we discussed above, we normally think of the Israeli shekel as the most tech-sensitive currency in emerging markets. Capital raising by the Israeli tech sector can lead to inflows of as much to \$5bn per quarter. However, recent correlations suggest most emerging market currencies have quite high correlations with US tech.

That provides a note of warning over coming months. Any further large volatility in the tech sector could catch a buy-side already very overweight EM equities. We show this in the chart below, which highlights that close to \$40bn has flowed into the two largest EM-focused ETFs over the last 12 months. That money is still sitting there despite events in the Middle East.

Any large, tech-driven equity correction would likely see USD/EM go very bid and initially provide support to the dollar across the board. That would be the first-round effect. The second round effect, assuming that the Fed would come to the rescue with an easing cycle, would be a weaker dollar. In such a scenario, USD/JPY might be finally ready to turn lower.

Investors have kept large longs in EM equity ETFs



Source: Refinitiv, ING

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THINK economic and financial analysis

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