OPTIMUM®
Global Asset Management

Our View:

The contrarian case for the yen, the won and the Taiwan dollar

A paradox to exploit

The Japanese yen, the South Korean won and the new Taiwan dollar appear fragile in the short term, but their weakness masks solid fundamentals. These three economies generate substantial external surpluses, benefit directly from the global artificial-intelligence investment cycle, and keep depressed currencies largely because of capital flows, interest-rate differentials and the persistent strength of the U.S. dollar. For a patient investor, the gap between valuation and fundamentals can create a contrarian opportunity.

Current-account surpluses at highs

The starting point is the strength of current-account balances. Japan, South Korea and Taiwan benefit from robust exports, particularly in semiconductors, equipment and AI-related materials. While the technology sector is cyclical, these surpluses are not solely driven by cyclical factors; they may also reflect structural advantages associated with their position in the global technology value chain.

The AI-infrastructure demand shock and the tax base

Global demand for AI infrastructure continues to directly support Korea and Taiwan through their semiconductor champions and indirectly supports Japan through its makers of specialized equipment and materials. High profits in these sectors also strengthen tax revenues, improving the fiscal trajectory of countries facing an aging population.

Why Has the Appreciation Yet to Materialize?

While surpluses should normally support the currencies, three frictions delay the adjustment: the recycling of dollar income into U.S. assets, interest-rate differentials still favourable to carry trades, and the energy dependence of these economies, which increases dollar demand during episodes of geopolitical tension.

The China option: the catalyst hidden in plain sight

An appreciation of the yuan — whether triggered by European trade pressure, international coordination or a Chinese monetary-policy decision — would likely pull the won, the Taiwan dollar and the yen higher. Historically, surplus Asian currencies are closely tied to yuan movements, which could support this scenario.

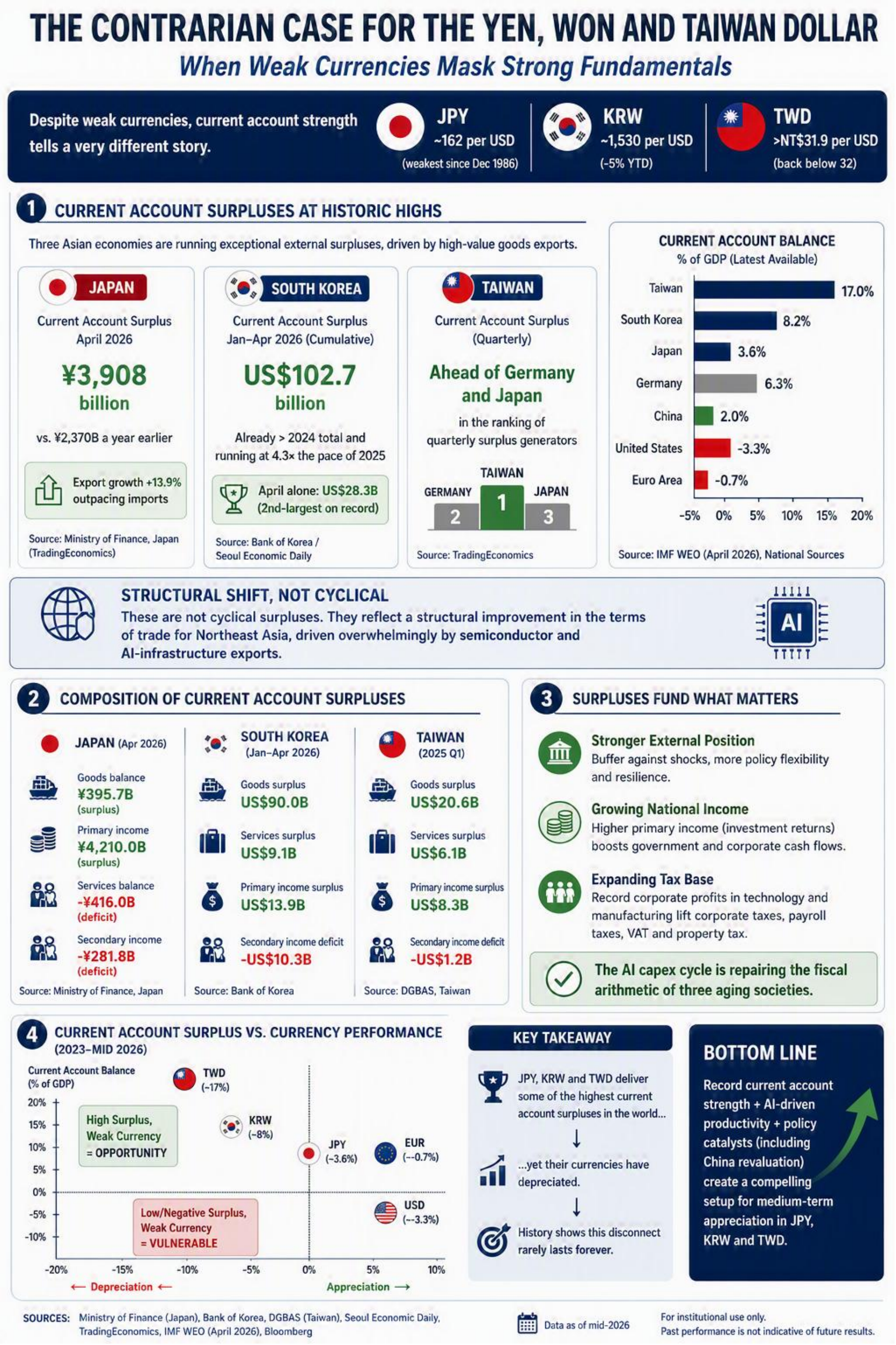
The USD leg: portfolio flows and curve re-steepening

The dollar leg is just as important. Portfolio flows often dominate trade flows in the short term; a decline in U.S. inflation, a reduced risk of Fed tightening and a re-steepening of the yield curve could weaken the dollar and turning a valuation argument into a supportive factor for the currencies concerned.

The investment thesis

The investment thesis therefore rests on a favourable asymmetry : currencies trading at relatively low levels, high external surpluses, a supportive AI cycle and several possible catalysts, including a yuan appreciation, a retreat of the U.S. dollar or an unwinding of carry trades. Risks remain tied to persistently high U.S. rates, a lasting rise in energy prices or a severe technology correction. However, if the fundamentals eventually feed through into prices, the yen, the won and the Taiwan dollar could offer gradual but significant appreciation potential.

Appendix



THE CONTRARIAN CASE FOR THE YEN, WON AND TAIWAN DOLLAR
When Weak Currencies Mask Strong Fundamentals
Despite weak currencies, current account strength tells a very different story.
JPY ~162 per USD (weakest since Dec 1986)
KRW ~1,530 per USD (-5% YTD)
TWD >NT$31.9 per USD (back below 32)
1 CURRENT ACCOUNT SURPLUSES AT HISTORIC HIGHS
Three Asian economies are running exceptional external surpluses, driven by high-value goods exports.
JAPAN
Current Account Surplus April 2026
¥3,908 billion
vs. ¥2,370B a year earlier
Export growth +13.9% outpacing imports
Source: Ministry of Finance, Japan (TradingEconomics)
SOUTH KOREA
Current Account Surplus Jan–Apr 2026 (Cumulative)
US$102.7 billion
Already > 2024 total and running at 4.3× the pace of 2025
April alone: US$28.3B (2nd-largest on record)
Source: Bank of Korea / Seoul Economic Daily
TAIWAN
Current Account Surplus (Quarterly)
Ahead of Germany and Japan
in the ranking of quarterly surplus generators
GERMANY 2
TAIWAN 1
JAPAN 3
Source: TradingEconomics
CURRENT ACCOUNT BALANCE
% of GDP (Latest Available)
Taiwan 17.0%
South Korea 8.2%
Japan 3.6%
Germany 6.3%
China 2.0%
United States -3.3%
Euro Area -0.7%
-5% 0% 5% 10% 15% 20%
Source: IMF WEO (April 2026), National Sources
STRUCTURAL SHIFT, NOT CYCLICAL
These are not cyclical surpluses. They reflect a structural improvement in the terms of trade for Northeast Asia, driven overwhelmingly by semiconductor and AI-infrastructure exports.
AI
2 COMPOSITION OF CURRENT ACCOUNT SURPLUSES
JAPAN (Apr 2026)
Goods balance ¥395.7B (surplus)
Primary income ¥4,210.0B (surplus)
Services balance -¥416.0B (deficit)
Secondary income -¥281.8B (deficit)
Source: Ministry of Finance, Japan
SOUTH KOREA (Jan–Apr 2026)
Goods surplus US$90.0B
Services surplus US$9.1B
Primary income surplus US$13.9B
Secondary income deficit -US$10.3B
Source: Bank of Korea
TAIWAN (2025 Q1)
Goods surplus US$20.6B
Services surplus US$6.1B
Primary income surplus US$8.3B
Secondary income deficit -US$1.2B
Source: DGBAS, Taiwan
3 SURPLUSES FUND WHAT MATTERS
Stronger External Position
Buffer against shocks, more policy flexibility and resilience.
Growing National Income
Higher primary income (investment returns) boosts government and corporate cash flows.
Expanding Tax Base
Record corporate profits in technology and manufacturing lift corporate taxes, payroll taxes, VAT and property tax.
The AI capex cycle is repairing the fiscal arithmetic of three aging societies.
4 CURRENT ACCOUNT SURPLUS VS. CURRENCY PERFORMANCE (2023–MID 2026)
Current Account Balance (% of GDP)
20% 15% 10% 5% 0% -5% -10%
TWD (~17%)
KRW (~8%)
JPY (~3.6%)
EUR (~-0.7%)
USD (~-3.3%)
High Surplus, Weak Currency = OPPORTUNITY
Low/Negative Surplus, Weak Currency = VULNERABLE
-20% -15% -10% -5% 0% 5% 10%
← Depreciation ←
Appreciation →
KEY TAKEAWAY
JPY, KRW and TWD deliver some of the highest current account surpluses in the world...
...yet their currencies have depreciated.
History shows this disconnect rarely lasts forever.
BOTTOM LINE
Record current account strength + AI-driven productivity + policy catalysts (including China revaluation) create a compelling setup for medium-term appreciation in JPY, KRW and TWD.
SOURCES: Ministry of Finance (Japan), Bank of Korea, DGBAS (Taiwan), Seoul Economic Daily, TradingEconomics, IMF WEO (April 2026), Bloomberg
Data as of mid-2026
For institutional use only.
Past performance is not indicative of future results.

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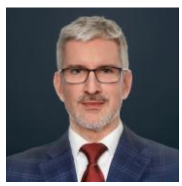

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PRI Principles for Responsible Investment