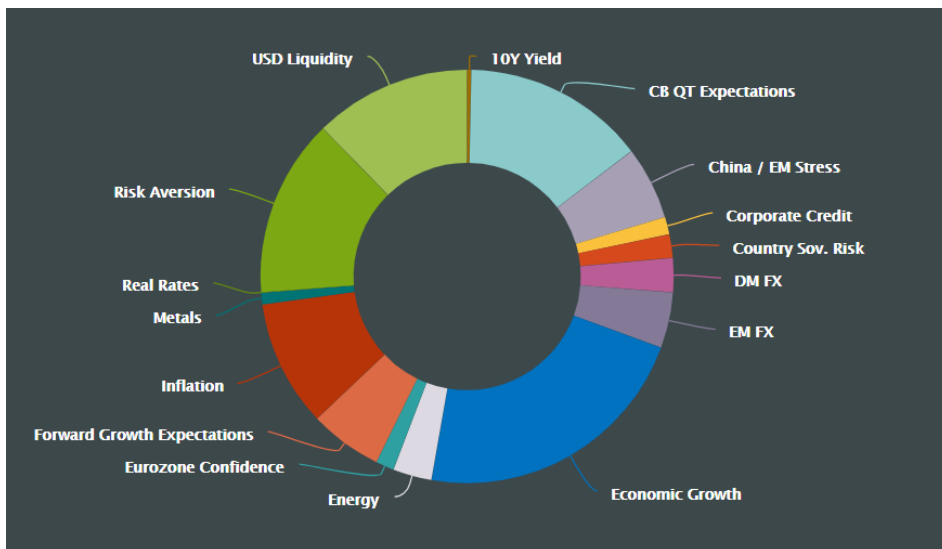




Asian Tech

- In mid April [“A turn in Asian tech?”](#) highlighted that ChiNext was back in regime & cheap to macro. This week [Hang Seng Tech](#) & the [KWEB China Internet ETF](#) have both crossed back above our threshold & entered new macro regimes.
- Company fundamentals remain critical &, in the present environment, regulatory risk is a clear & present danger. However, bottom up investors cannot focus exclusively on the idiosyncratic – **macro risks are back as an important driver of Asian tech.**



- **The new regime stresses tech’s defensive qualities.** Most notably, the biggest driver for both Hang Seng Tech & KWEB is global economic growth. The relationship is negative & sensitivity is growing.
- VIX & measures of risk aversion are the second biggest driver. Higher VIX is consistent with better tech performance; & again sensitivity is increasing.
- In valuation terms both screen as somewhat cheap. However, after a period with diminished explanatory power, macro drivers are only just re-asserting themselves. In both cases macro-warranted fair value is catching down. The ideal scenario for bulls is when model value stabilises & starts to turn higher. This can be tracked in real-time on Qi.

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