

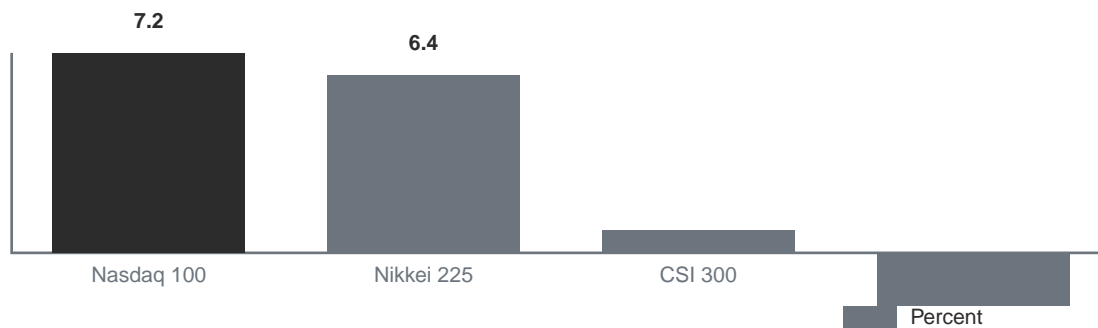
China PMI & Asia Divergence: Mainland Data vs. Korea to Taiwan Tech

Research Team

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By early June 2026, Asia-Pacific markets are no longer moving as a single block. Japan's Nikkei has delivered strong one-month performance on BoJ normalization, yen dynamics, and semiconductor-heavy exporters, while Hong Kong and mainland proxies show softer near-term returns. China's official manufacturing PMI (released 31 May) is the next macro gatekeeper for CSI 300 sentiment, commodity demand, and supply-chain equities in Korea and Taiwan. This report updates our March Two Sessions work with a PMI-focused playbook: three data scenarios, cross-border linkages, and portfolio implications for allocators balancing U.S. tech concentration with Asia idiosyncrasy.

Asia Index Proxies: 1-Month Return (24 May 2026)



Source: AVANTAS Research performance table, 24 May 2026

Key Takeaways:

- **Regional dispersion is wide:** Nikkei +6.4% one-month vs Hang Seng " 1.9% and CSI 300 +0.8% on index-proxy methodology (24 May 2026 research page).
- China PMI above 50 with new orders improving would support cyclicals, metals, and export chains; sub-50 prints keep stimulus hopes alive but pressure earnings revisions.

- Korea and Taiwan remain leveraged to global AI and semiconductor demand even when mainland consumption is uneven, stock selection matters more than a blanket EM overweight.
- Property and local-government financing stress still cap aggressive reflation trades; stimulus headlines can spark rallies without sustained breadth.
- **Portfolio takeaway:** size China beta tactically around PMI and policy surprises; keep structural tech exposure via Japan/Korea/Taiwan where earnings visibility is higher.

Executive Summary

Asia divergence reflects different policy cycles and sector mixes, not a broken growth story. Japan benefits from corporate governance reform, a weaker yen versus prior peaks, and tech supply-chain earnings. China faces property overhang, cautious consumer confidence, and reliance on targeted fiscal and monetary support rather than broad reflation. The manufacturing PMI is a coincident indicator with loud month-to-month noise, allocators should pair it with new orders, export orders, and Caixin complementary surveys. Base case for June: stabilization rather than boom, with tactical opportunities in select industrials and tech if PMI beats consensus; failure keeps CSI range-bound and favors quality U.S. and Japan over mainland beta.

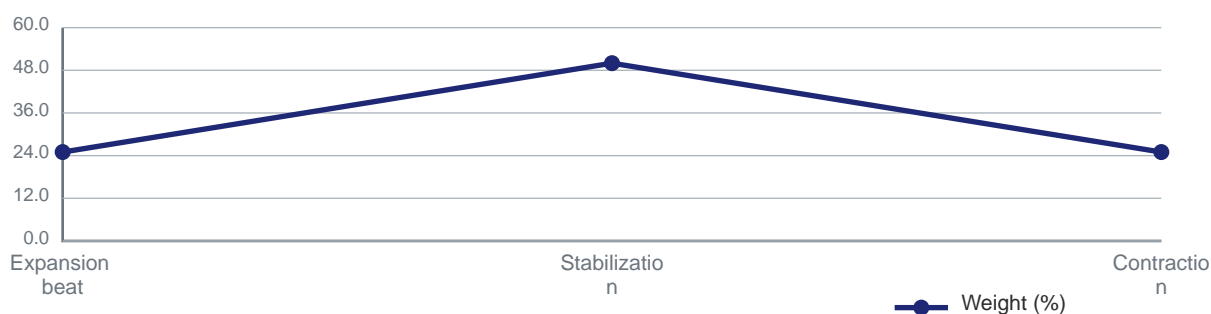
The Asia Tape in Late May 2026

Performance on the research page (24 May 2026) shows Nasdaq +7.2% and Nikkei +6.4% one-month, while Hang Seng is +1.9% and CSI 300 +0.8%. Correlation matrices still show U.S. equities highly linked to each other; Nikkei offers more idiosyncrasy versus the S&P 500. That setup favors barbells: maintain U.S. quality and AI-linked leadership, add Japan or Korea/Taiwan on dips when global semis hold up, and treat mainland exposure as event-driven around PMI and Politburo messaging rather than strategic overweight.

China PMI: Three Scenarios for June

Scenario 1 , Expansion surprise (PMI "e 50.5, new orders up) Cyclical, industrials, and copper-sensitive names rally; CSI 300 breadth improves; RMB stabilizes; risk appetite for EM FX rises. Scenario 2 , Stabilization (PMI 49.5 to 50.5): Mixed; policy expectations dominate, small fiscal or property support packages move markets without changing the medium-term deleveraging story. Scenario 3 , Contraction (PMI < 49.5): Defensives and dividends outperform; commodities fade; stimulus headlines spike volatility but may not sustain unless paired with credit easing. Export orders matter for Korean and Taiwanese semis even in Scenario 3 if global AI capex stays firm.

China PMI Scenario Weights (Illustrative, June 2026)



Source: Illustrative; AVANTAS Research Analysis

Korea, Taiwan, and the Tech Supply Chain

Memory, foundry, and equipment names remain tied to hyperscaler capex and U.S. AI demand more than to mainland retail sales. When China PMI is soft but global tech spending is strong, Korea and Taiwan can still outperform CSI, this is the core divergence trade for 2026. Watch export data, inventory cycles, and U.S. restrictions on advanced chips for tail risk. Japan overlaps through equipment and materials but adds currency and BoJ dynamics absent in ASEAN.

Policy, Property, and Stimulus Watchlist

Beyond PMI: property sales in tier-1 and tier-2 cities, local-government special bond issuance, PBOC MLF and LPR moves, and consumption vouchers. Markets often front-run Politburo language on "high quality development" and supply-chain modernization. Avoid conflating a one-month PMI beat with a full reflation cycle, credit growth and household confidence need to confirm.

Cross-Asset Implications

Equities: CSI and HK quality on PMI beats; Japan/Korea/Taiwan tech on global capex. **Commodities:** copper and iron ore sensitive to Scenario 1; oil less China-driven in 2026 than geopolitics. **FX:** RMB and Asian FX strengthen on Scenario 1; USD mixed. **Bonds:** China rates rally on weak PMI with easing hopes; U.S. Treasuries driven more by Fed than PMI. **Credit:** Asia USD HY remains selective, property developers still a avoid bucket.

What to Watch in June

Official and Caixin manufacturing PMIs; export orders sub-index; Korea and Taiwan export growth; U.S. tech earnings and capex guides; PBOC and fiscal headlines; property transaction volumes; RMB fixing and CFETS basket; Asia ex-Japan fund flows.

Timeline and Outlook

Near-term (3 to 6 months): PMI and stimulus headlines drive CSI volatility; Japan and Korea/Taiwan tech can outperform mainland beta if global AI spend holds. **Medium-term (6 to 12 months):** Structural tech supply chain wins persist; China recovery is gradual, stock picking over index beta. **Long-term (12+ months):** Demographics and property adjustment remain headwinds; innovation policy and exports are the bull case.

Timeline Overview



Source: AVANTAS Research Analysis

Risk Factors

Property stress spreading to financials; geopolitical shocks hitting trade; U.S. to China tech restrictions; global recession collapsing export orders; yen spike hurting Japan exporters.









Conclusion

Asia is a dispersion trade in June, not a single EM bet. Use China PMI to time mainland tactically, not to abandon U.S. leadership; lean on Japan and tech supply-chain neighbors when global semis stay strong.

Asset Class Impact

CSI 300 / mainland beta: Neutral tactical; overweight only on PMI beat + policy follow-through. Hang Seng: Neutral; event-driven. Japan / Nikkei: Overweight selective vs broad EM. Korea / Taiwan tech: Overweight selective on global capex. Commodities (China-sensitive): Neutral; tactical copper on Scenario 1. Asia USD HY: Underweight property; selective industrials. U.S. tech leadership: Overweight quality until breadth confirms.

Asset Class Impact

Asset	View	Commentary
CSI 300 / Mainland	 Neutral	Neutral tactical; PMI beat needed.
Hang Seng	 Neutral	Neutral; event-driven.
Japan / Nikkei	 +1	Overweight selective vs broad EM.
Korea / Taiwan Tech	 +1	Overweight on global AI capex.
Copper / China Cyclical	 Neutral	Tactical on PMI beat only.
U.S. Tech Leadership	 +1	Overweight quality until breadth widens.
Asia USD HY	 -1	Underweight property; selective.
RMB / Asia FX	 Neutral	Neutral; stronger on Scenario 1.

Source: AVANTAS Research Analysis