

Asia Pacific Equity Derivatives Strategy

Taiwan at the Core of the AI Earnings Cycle: Bottleneck Positioning, Revision Breadth and Supportive Flows; Capture AI Momentum via TWSE Call Spreads and WoC; NKY Short Gamma

- Taiwan at the Core of the AI Earnings Cycle: Bottleneck Positioning, Revision Breadth and Supportive Flows:** Taiwan equity gains have extended, with the TWSE up 40.5% year to date, following our recent call to position for upside ahead of TSMC earnings. This move has unfolded alongside the April to May reporting season, which confirms that the AI cycle remains firmly **hardware-led**, with semiconductor and infrastructure names across the US and Asia delivering the strongest earnings surprises. Within this landscape, **TWSE stands out as the most concentrated and direct proxy for AI bottleneck exposure**. Taiwan's dominance reflects both the scale (62% hardware exposure) and the quality of positioning in supply-constrained segments, which is translating into **superior earnings revision breadth** versus regional and global peers. This fundamental strength is now being reinforced by **improving foreign inflows, EM ex-China allocation tailwinds, and upcoming MSCI-driven passive demand**, particularly for TSMC (2330 TT). Implied volatility on the TWSE remains relatively low versus regional peers, creating an attractive setup to express continued AI-driven upside through options. Investors can consider using **TWSE call spreads or worst-of call on TWSE, KOSPI2, and NKY** for a broader expression of an AI hardware rally at a lower premium.
- Short Gamma Lingers in NKY, Contained in KOSPI2, Flips Long in HSCEI:** Dealers' short gamma in KOSPI2 remains low even as equities hit all-time highs, with leveraged ETFs — now at record AUM — the dominant source of remaining short gamma. **Foreign flows have been firmly positive** across cash and derivatives, though options activity has yet to pick up meaningfully. In Japan, NKY's historic break above 60,000 has come with a **deepening of dealers' short gamma**, concentrated in puts as investors protect gains — while record foreign cash inflows continue to pour back into Japanese equities. In HSCEI, range-bound price action has seen dealers flip back to **long gamma** as investors turn net sellers of options — particularly calls.
- Korea Structured Product Issuance Rebounds; Japan Remains Muted:** Korea's structured product market saw a **sharp rebound in April**, with new issuance reaching USD 1.7bn — the highest this year — as risk appetite improved alongside record equity highs. The improving backdrop was also evident in **single-stock products**, where issuance pivoted away from overseas names toward domestic tech giants Samsung Electronics and SK Hynix, which together dominated April's single-stock volumes. In Japan, the structured product market remains constrained.

Global Equity Derivatives Strategy

Tony SK Lee ^{AC}

(852) 2800-8857

tony.sk.lee@jpmorgan.com

J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Haoshun Liu ^{AC}

(852) 2800-7736

haoshun.liu@jpmorgan.com

J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Xipu Han ^{AC}

(852) 2800-1029

xipu.han@jpmorgan.com

J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Twinkle Mehta, CFA ^{AC}

(852) 2800-7109

twinkle.mehta@jpmorgan.com

J.P. Morgan Securities (Asia Pacific) Limited/ J.P. Morgan Broking (Hong Kong) Limited

Davide Silvestrini

(44-20) 7134-4082

davide.silvestrini@jpmorgan.com

J.P. Morgan Securities plc

Bram Kaplan, CFA

(1-212) 272-1215

bram.kaplan@jpmorgan.com

J.P. Morgan Securities LLC

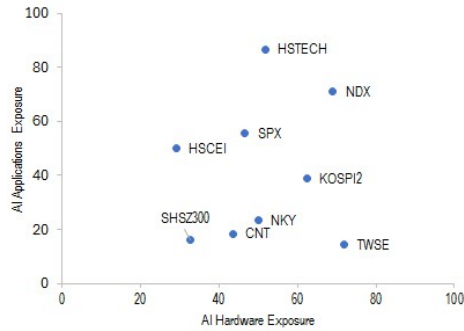
Yangyang Hou

(44-20) 3493-1012

yangyang.hou@jpmorgan.com

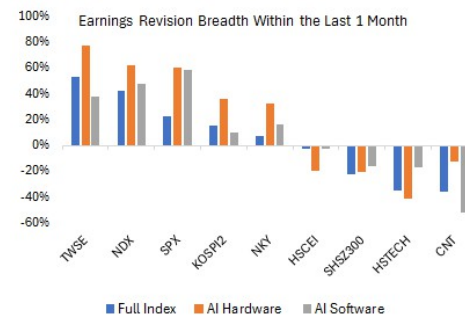
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Figure 1: TWSE stands out as the most concentrated and direct proxy for AI bottleneck exposure



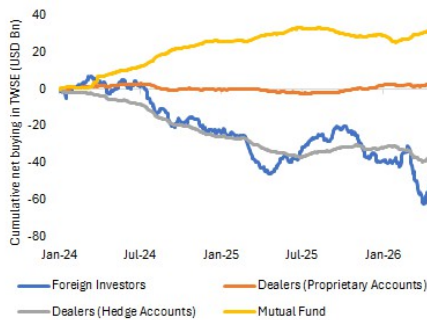
Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Figure 2: Taiwan's positioning in the AI value chain is translating into superior earnings revision breadth versus both regional and global peers



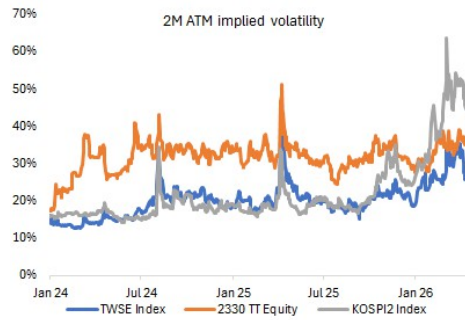
Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Figure 3: After roughly US\$30bn of outflows in March, foreign investors turned net buyers of Taiwan equities in April, with US\$7.8bn of inflows



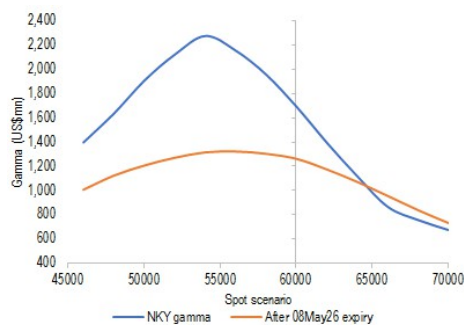
Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Figure 4: Implied volatility on TWSE remains relatively low versus regional peers



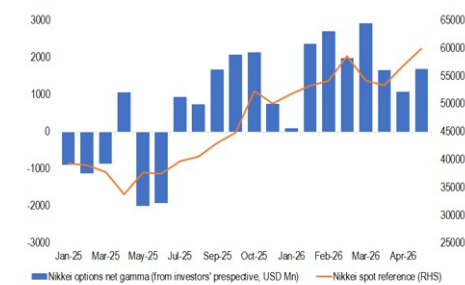
Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Figure 5: Investors' gamma positioning in NKY



Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Figure 6: Investors' long (dealers' short) gamma persists in NKY



Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

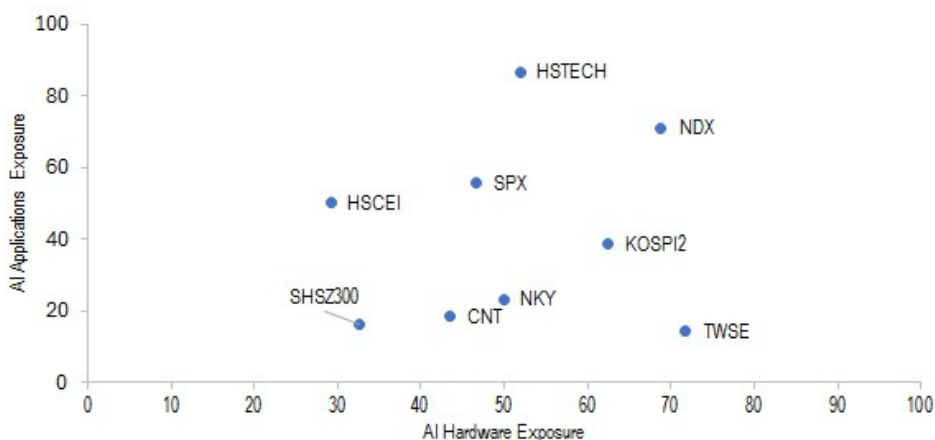
Taiwan at the Core of the AI Earnings Cycle: Bottleneck Positioning, Revision Breadth and Supportive Flows

Taiwan equity gains have extended, with the TWSE up 40.5% year to date, following our recent call to position for upside ahead of TSMC earnings (see [here](#)). This move has unfolded alongside the April to May reporting season, which has provided a clear global read on where we are in the AI cycle. Across both the US and Asia, one observation is that **semiconductor and AI infrastructure names continue to deliver the most consistent earnings surprises** (see [here](#) and [here](#)). This is not confined to a single market. US large-cap tech, Korean memory and component suppliers, and Taiwan's semiconductor ecosystem are all showing the same pattern—**earnings delivery remains strongest where exposure to AI hardware bottlenecks is highest**. Against that global backdrop, the Taiwan Stock Exchange Weighted Index (TWSE) stands out as **one of the most concentrated and direct expressions of this earnings engine among major Asian and global indices**.

Taiwan as the Center of Hardware-Driven Earnings

Within Asia, **Taiwan remains uniquely well positioned**. Under our two-axis exposure framework, **72% of the TWSE weight is classified as AI hardware exposure**, above **KOSPI2 at 63%** and well ahead of other major indices.

Figure 7: Among major Asian indices, the TWSE has the highest exposure to AI hardware, while the HSCEI and HSTECH show more meaningful exposure to AI software and applications



Classification methodology: We use a bottom-up approach that combines structured data analysis with scalable text-based interpretation of company disclosures, including business descriptions, earnings commentary, and strategic updates. Each company is first mapped to its position in the AI value chain, and we then determine whether its exposure is primarily to AI hardware or AI software/applications, based on the strength of its economic linkage.

Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Broadening the lens to China, where onshore indices have steadily increased AI-related positioning, the gap is still evident. A-share indices, particularly growth-oriented benchmarks such as **CHINEXT (CNT Index)**, show meaningful but secondary exposure, with AI hardware representing approximately 44% of index weight. This reflects domestic semiconductor ambitions and industrial upgrading, although the ecosystem remains less globally integrated and less concentrated in bottleneck segments

than Taiwan.

By contrast, Taiwan's exposure is not only larger in magnitude but also **concentrated in the most supply-constrained parts of the AI value chain**, including advanced foundry, packaging, and critical chip manufacturing processes. This distinction between broad participation and bottleneck positioning helps explain the divergence in earnings outcomes observed this season.

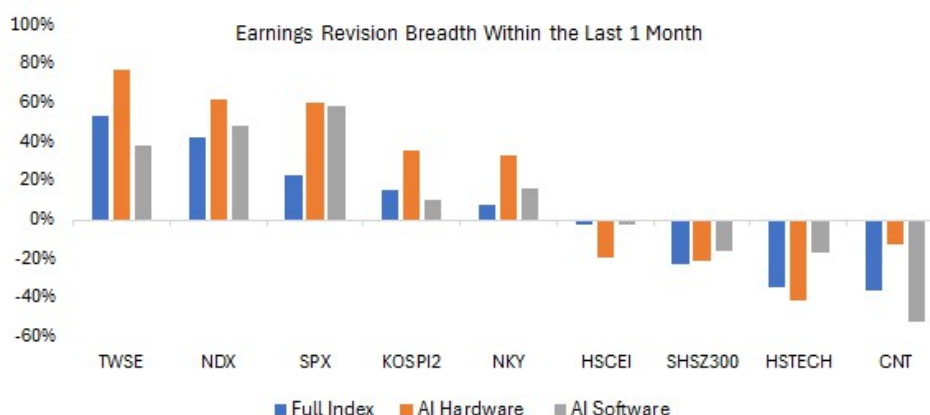
HSCEI and HSTECH, on the other hand, show meaningful exposure to AI software and applications. Under our framework, roughly 50% and 87% of index weight, respectively, is classified as AI software and applications exposure. This largely reflects the presence of large internet and platform companies, where AI is increasingly central to user engagement, recommendation systems, and monetization strategies. The resulting index profile contrasts with Taiwan and Korea, where software exposure remains structurally more limited.

Earnings Revisions: Hardware Still Leads

The earnings revision cycle continues to reinforce the hierarchy observed in reported results. Over the past month, **TWSE has delivered a net earnings revision breadth of 53%**, ahead of **NDX at 42%** and **KOSPI2 at 16%**.

More importantly, when isolating AI hardware exposures across regions, the advantage becomes more pronounced. Taiwan's hardware-linked names exhibit **exceptionally strong revision breadth at 77%**, compared to **62% in NDX** and **36% in KOSPI2**.

Figure 8: Earnings revisions underscore that upgrades are skewed toward companies embedded in the physical infrastructure buildout.



Data as of May 1, 2026, Earnings revision breadth = (number of EPS upgrades - number of EPS downgrades)/(number of EPS upgrades + number of EPS downgrades). Classification methodology: We use a bottom-up approach that combines structured data analysis with scalable text-based interpretation of company disclosures, including business descriptions, earnings commentary, and strategic updates. Each company is first mapped to its position in the AI value chain, and we then determine whether its exposure is primarily to AI hardware or AI software/applications, based on the strength of its economic linkage.
Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

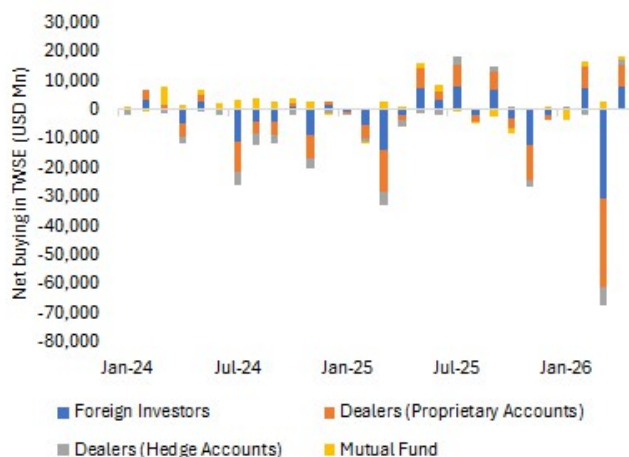
This pattern underscores a key dynamic: **Earnings upgrades are skewed toward companies embedded in the physical infrastructure buildout**. The visibility of order books, capacity constraints, and sustained capex cycles continues to translate into upward revisions with greater consistency than in downstream segments. In effect, the reporting season and the revision cycle are telling the same story: **Hardware remains**

the earnings backbone of the AI theme, and Taiwan remains its most efficient index-level proxy.

Flows and Technical Tailwinds

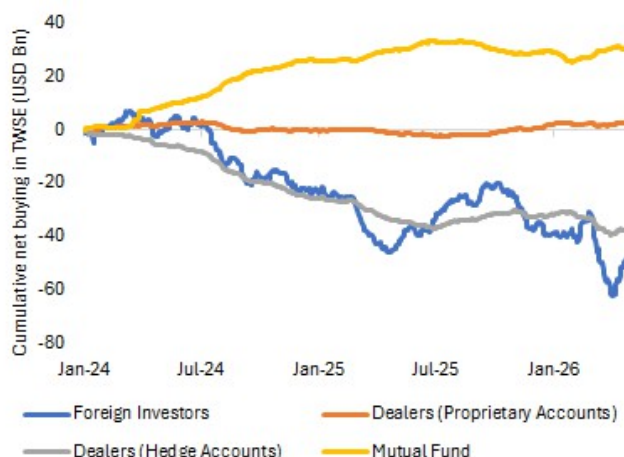
Positioning dynamics are beginning to reflect the underlying earnings strength. Following substantial outflows of approximately US\$30bn in March, **foreign investors turned net buyers of Taiwan equities in April, with inflows of US\$7.8bn**. While cumulative outflows since 2024 remain only partially reversed, the shift in direction is notable and aligns with the improvement in earnings momentum.

Figure 9: Following substantial outflows of approximately US\$30bn in March, foreign investors turned net buyers of Taiwan equities in April, with inflows of US\$7.8bn



Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Figure 10: Following April's foreign inflows, the cumulative outflows since 2024 remain only partially reversed

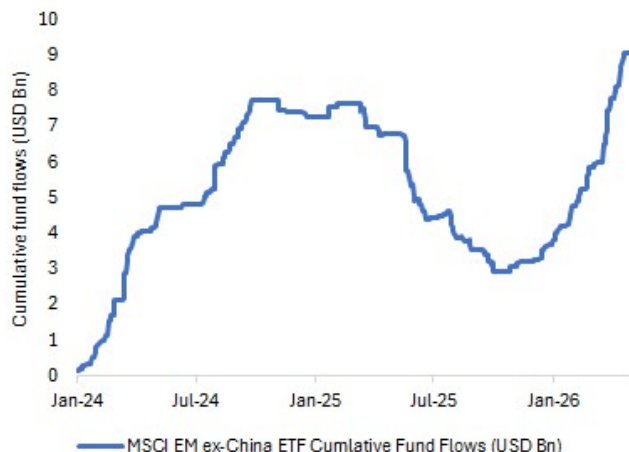


Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

At the same time, **EM ex-China fund inflows have accelerated this year**. Taiwan currently represents roughly one-third of the MSCI EM ex-China Index and about 25% of the MSCI EM Index. This creates a structural channel through which global reallocations into EM increasingly translate into incremental demand for Taiwan equities.

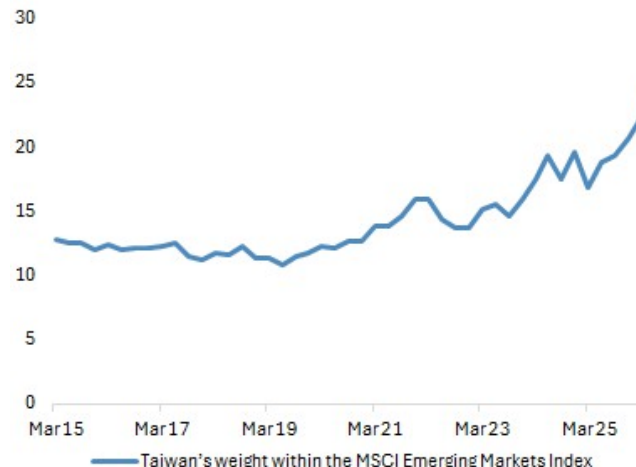
A near-term catalyst further reinforces this backdrop. [Changes to MSCI's free float adjustment methodology](#)—effective after May 29, 2026—are expected to drive passive inflows into key constituents, most notably TSMC (2330 TT), where estimated flows could reach **~103% of average daily volume**. This adds a technical layer of support to an already improving fundamental and flow environment.

Figure 11: EM ex-China fund inflows have accelerated this year



Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Figure 12: Taiwan currently represents about 25% of the MSCI EM Index

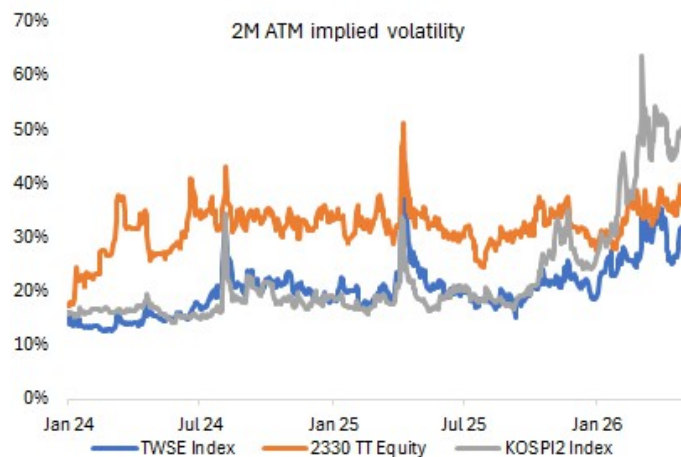


Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Volatility Considerations

Despite the alignment across bottleneck positioning, earnings momentum, and supportive flows, **implied volatility on the TWSE remains relatively low** versus regional peers such as KOSPI2 and key AI hardware bellwethers such as TSMC (2330 TT). This enhances the attractiveness of using options to build upside exposure.

Figure 13: Implied volatility on the TWSE remains relatively low versus regional peers such as KOSPI2 and key AI hardware bellwethers such as TSMC (2330 TT)



Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Figure 14: The combination of bottleneck positioning, earnings delivery, and improving flows continues to set Taiwan apart



Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

We prefer **TWSE call spreads** to capture further upside driven by hardware-led earnings strength, while keeping the upfront cost more contained than outright calls.

For a **broader expression of an AI hardware rally at a lower premium**, investors can also consider **worst-of call on TWSE, KOSPI2, and NKY**. Under our classification framework, each index has meaningful AI hardware exposure, led by TWSE at 72%,

followed by KOSPI2 at 63% and NKY at 50%. This supports participation in a region-wide continuation while improving cost efficiency through the worst-of feature.

Please find indicative pricing as of May 1, 2026 below:

- **TWSE 17Jun26 105%-115% call spread:** 2.19% (implied volatility 31.7v/30.5v, delta 26%)
- **10Jul26 105% Worst-of call on TWSE, KOSPI2 and NKY:** 2.1% offer (50% vs avg. vanilla call)

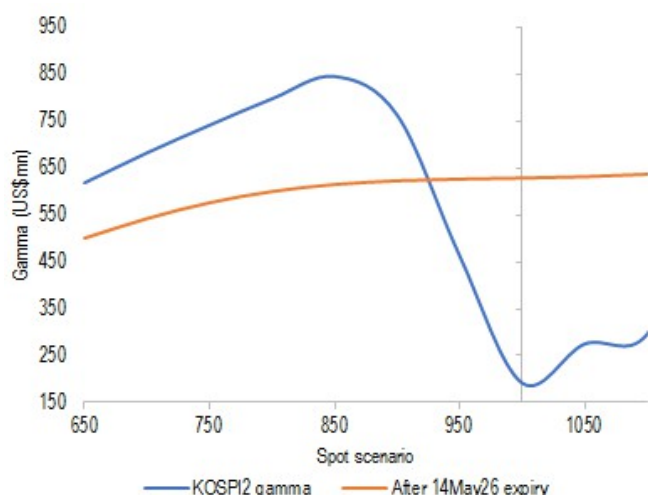
Short Gamma Lingers in NKY, Contained in KOSPI2, Flips Long in HSCEI

KOSPI2: Record Rally, Contained Gamma — but Leveraged ETFs Keep Risk Alive

Korean equities extended their rally sharply through April, with KOSPI2 surging above 1,000 to all-time highs — driven by strong semiconductor earnings and easing geopolitical tensions. **Foreign flows have remained firmly positive across both cash and derivatives**, with foreigners also sustaining their call buying — **though overall options market activity has yet to see a meaningful uptick** amid elevated volatility and rich premiums.

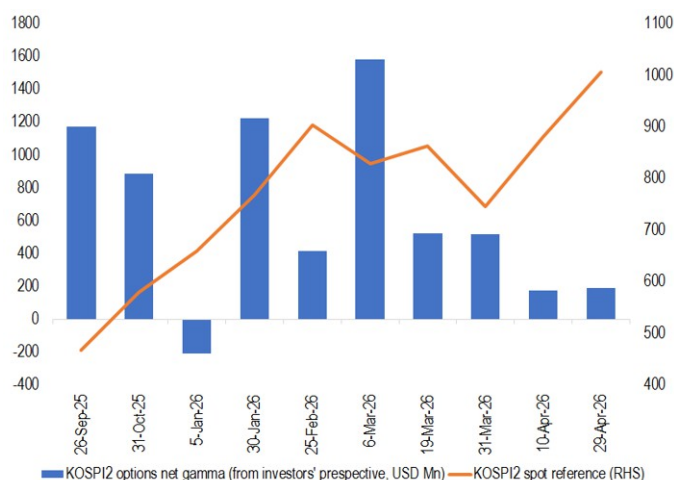
Against this backdrop, **dealers' short gamma in KOSPI2 remains contained** — around current spot of ~1,000, we estimate short gamma of roughly USD 191mn, broadly in line with our last update (see [here](#)) and well below the ~USD 1.6bn peak seen in early March.

Figure 15: Investors' gamma positioning in KOSPI2



A positive number indicates investors (dealers) are long (short) gamma. Data as of 29 April 2026.
Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Figure 16: Investors' (dealers') gamma in KOSPI2



A positive number indicates investors (dealers) are long (short) gamma.
Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Table 1: Estimated KOSPI2-linked derivatives net gamma outstanding overview

KOSPI2 spot	850	900	950	1,000	1,050	1,100	1,150	1,200	1,250
Listed options gamma (USD mn)	422	315	-10	-307	-249	-253	24	59	43
-Calls gamma (USD mn)	62	59	9	-324	-370	-354	-44	13	11
-Puts gamma (USD mn)	360	256	-19	17	121	101	68	46	32
Leveraged ETF gamma (USD mn)	423	448	473	498	522	547	572	597	622
Total gamma (USD mn)	845	763	462	191	274	294	596	656	665
Gamma as % of futures t/o (3MMA)	3%	2%	1%	1%	1%	1%	2%	2%	2%

A positive number indicates investors (dealers) are long (short) gamma. Data as of 29 April 2026.
Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Leveraged ETFs remain the dominant source of dealers' short gamma, accounting for virtually all of the outstanding exposure. At spot ~1,000, we estimate leveraged ETF

gamma at approximately **USD 498mn** — and this exposure increases proportionally with market moves: a 10% move could trigger ~USD 5bn in dealer hedging flows, roughly 15% of the 3-month average KOSPI2 futures turnover, keeping the **risk of flow-driven overshoots alive**.

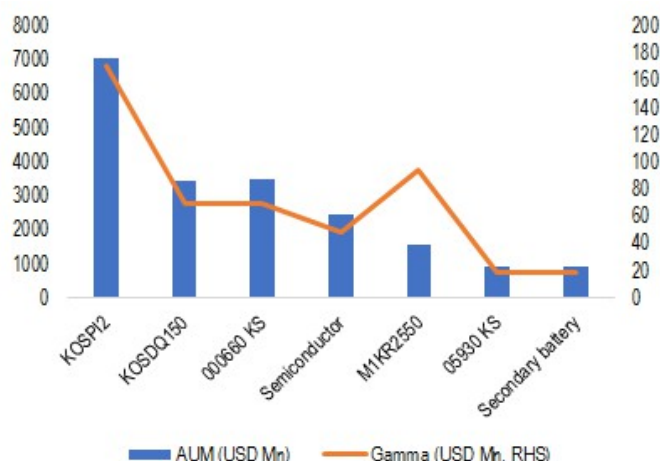
AUM in these products has climbed to all-time highs alongside the April rally. Meanwhile, **Korean regulators have approved the launch of domestically listed single-stock leveraged ETFs effective April 28**, with the first products — on Samsung Electronics and SK hynix — expected to begin trading in late May (see [here](#)). With AUM at record levels and the product universe set to expand, leveraged ETFs are likely to remain a key source of gamma risk in Korean equities.

Figure 17: Leveraged ETF AUM surges to all-time highs



Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Figure 18: AUM and gamma breakdown of leveraged ETFs by major underlying

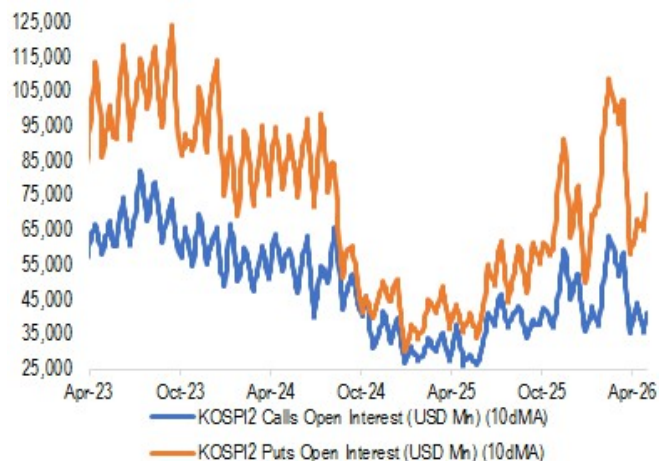


A positive number indicates investors (dealers) are long (short) gamma. Data as of 29 April 2026.
Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

On the options side, **KOSPI2 options open interest has remained low through April** relative to recent history. **Dealers remain net long gamma in listed options**, though this is largely concentrated in near-dated expiries.

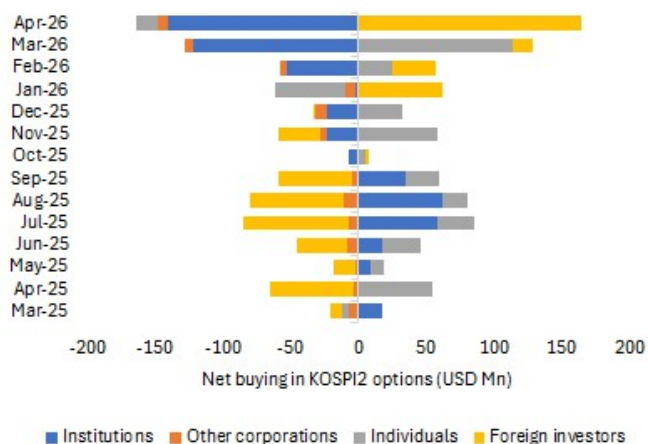
Looking at flows by investor group, **foreigners have sustained their call buying through April** — effectively chasing the rally via options, with limited put activity. Institutions — particularly **investment trusts** — **remain active sellers of both calls and puts**, a pattern that has persisted through March and April, partly driven by the rapid growth in covered-call ETFs as rich volatility makes premium-harvesting strategies attractive.

Figure 19: Options open interest rolled off post-March expiry and has not rebuilt



Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

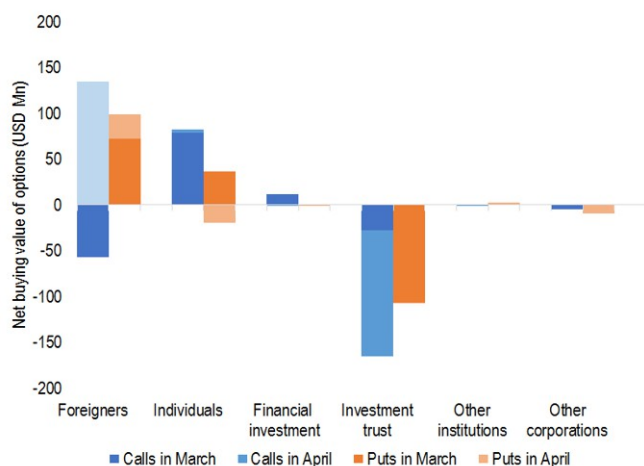
Figure 20: Foreigners are net buyers of options in April; institutions net sellers



Data as of 29 April 2026.

Source: KRX, Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

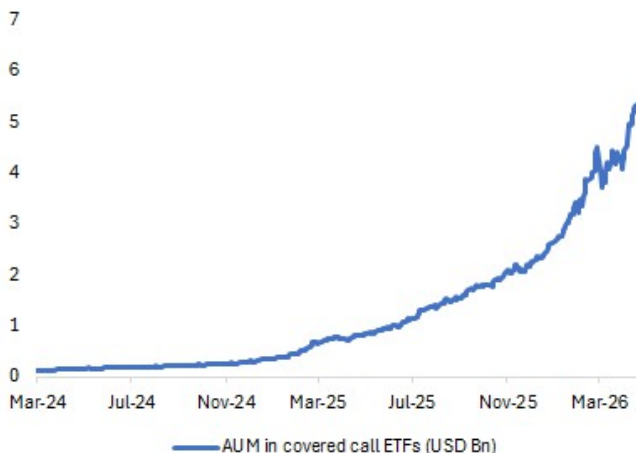
Figure 21: Foreigners sustain call buying in April; individuals unwind March positions



Data as of 29 April 2026.

Source: KRX, Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Figure 22: AUM in covered-call ETFs has grown significantly in recent months



Based on a sample of covered-call ETFs with Korean underlyings identified via Bloomberg FSRC.

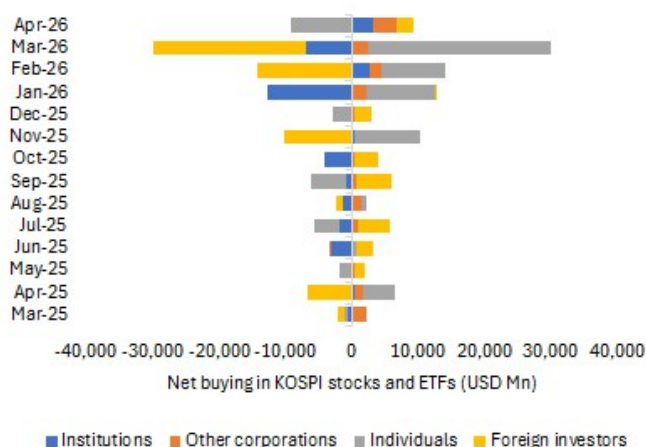
Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

In the cash market, **foreign investors have continued to reverse their March outflows**, though the pace of re-entry remains modest relative to the scale of the prior sell-off. Joined by institutional and corporate buying, the flows have fueled Korea's strongest month in years. The buying appears focused in themes such as semis, renewables, construction, and shipbuilding, as can be seen from the strong performance of Delta One baskets like Korea Renewables (JPKBRNEW), Korea Technologies

(JPKBTECH), and Korea Construction & Engineering (JPKBCOEN).¹

Individuals on the other hand were **net sellers** of Korean equities, likely taking profits into the rally. Margin loan balances and investor deposits are back to highs, suggesting retail leverage remains elevated and positioning vulnerable to renewed volatility.

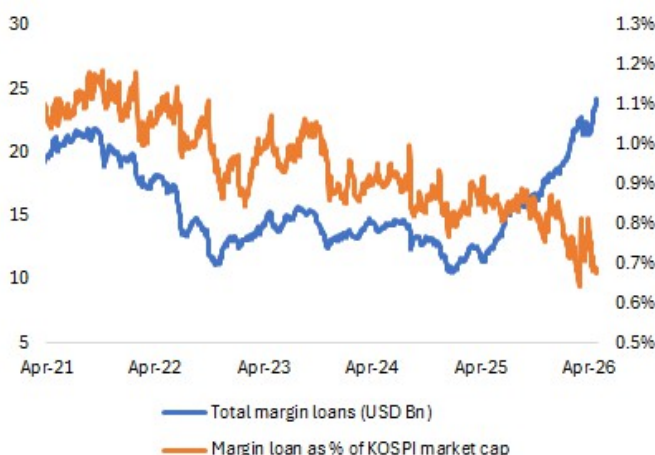
Figure 23: Foreigners and institutions turn net buyers of Korean equities in April; individuals turn sellers



Data as of 29 April 2026.

Source: KRX, Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

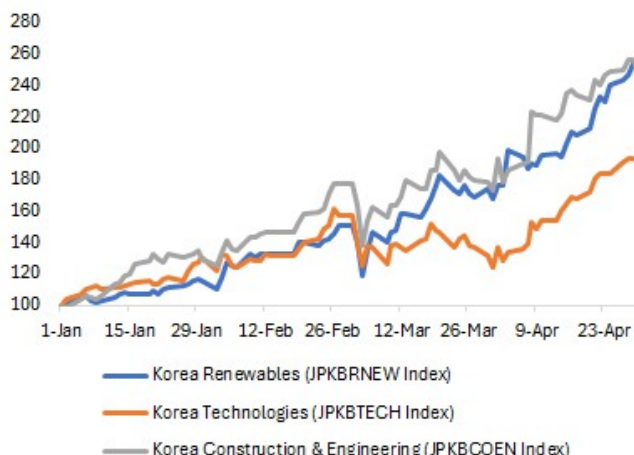
Figure 25: Investors' margin loan balances remain near multi-year highs



Data as of 28 April 2026.

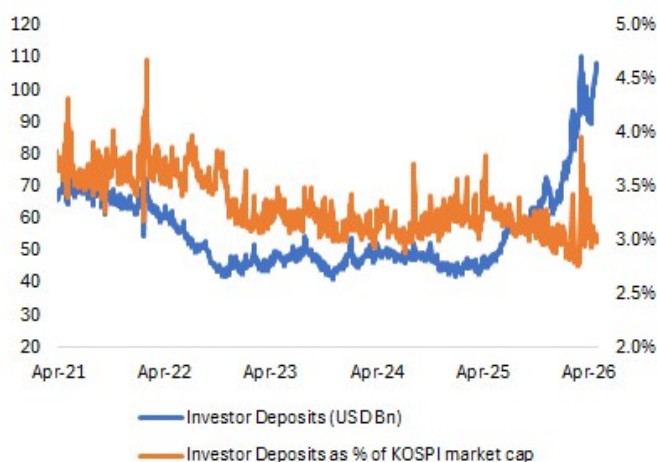
Source: KRX, Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Figure 24: Korea renewables, tech, and construction themes extend gains through April



Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Figure 26: Korean investor deposits rise amid April rally



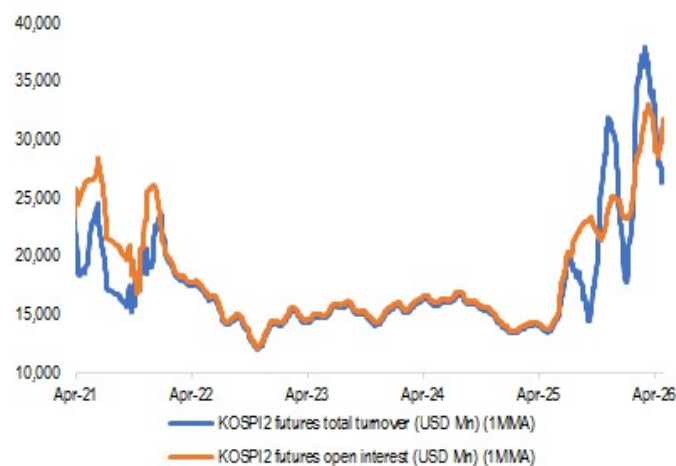
Data as of 29 April 2026.

Source: KRX, Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

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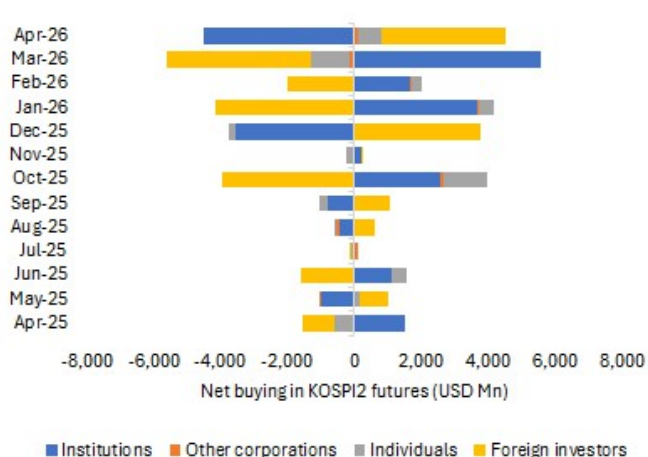
On the **futures side**, **foreign buying has been particularly strong**, with foreigners accumulating significant net long positions in KOSPI2 futures through April. **Institutions** on the other hand have been **better sellers**.

Figure 27: Turnover and open interest in KOSPI2 futures



Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Figure 28: Monthly net buying in KOSPI2 futures by investor groups



Data as of 29 April 2026.

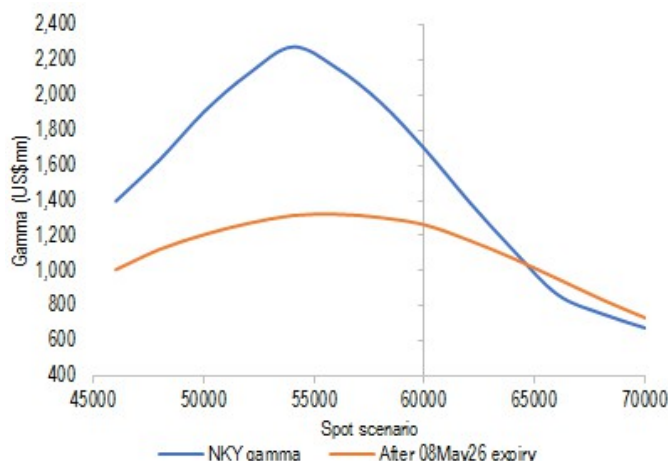
Source: KRX, Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

NKY: Short Gamma Builds as Investors Hedge Record High

Japanese equities rallied through April, with NKY crossing 60,000 for the first time — driven, much like Korea, by a strong **AI and semiconductor-led rally** supported by **easing geopolitical tensions** and **record foreign inflows**.

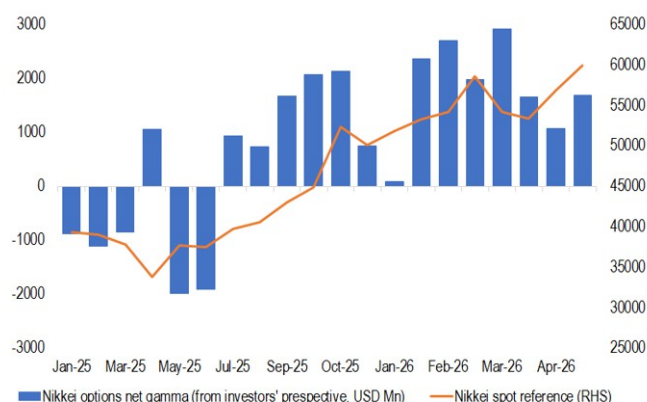
The rally has been accompanied by a **further buildup in dealers' short gamma in NKY** — around spot 60,000, we estimate dealers are short roughly **USD 1.7bn of gamma**, about 7% of futures turnover. The **bulk of this exposure sits in put options** — suggesting investors are protecting gains amid near-term risks from the upcoming earnings season, a hawkish BOJ, and still-elevated geopolitical uncertainty. Further, the gamma exposure is concentrated in near-dated positions and is likely to ease after the 08 May 2026 expiry.

Figure 29: Investors' gamma positioning in NKY



A positive number indicates investors (dealers) are long (short) gamma. Data as of 28 April 2026.
Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Figure 30: Investors' long (dealers' short) gamma persists in NKY



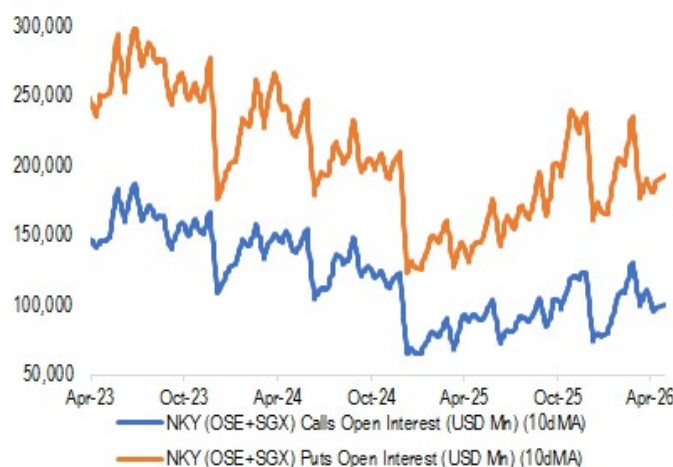
A positive number indicates investors (dealers) are long (short) gamma. Data as of 28 April 2026.
Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Table 2: Estimated NKY-linked derivatives net gamma outstanding overview

Nikkei spot	54,000	56,000	58,000	60,000	62,000	64,000	66,000	68,000	70,000
Listed options gamma (USD mn)	2,142	2,017	1,813	1,542	1,239	956	699	585	497
-Calls gamma (USD mn)	250	281	358	472	510	467	359	320	293
-Puts gamma (USD mn)	1,892	1,736	1,455	1,070	729	490	340	265	204
Leveraged ETF gamma (USD mn)	137	142	147	152	157	162	167	172	177
Total gamma (USD mn)	2,279	2,159	1,960	1,694	1,395	1,118	866	757	674
Gamma as % of futures t/o (3MMA)	10%	9%	8%	7%	6%	5%	4%	3%	3%

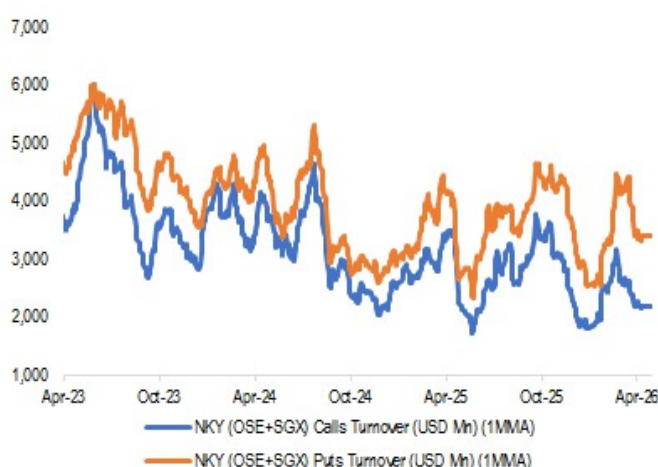
A positive number indicates investors (dealers) are long (short) gamma. Data as of 28 April 2026.
Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy.

Figure 31: NKY options open interest



Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy

Figure 32: NKY options turnover

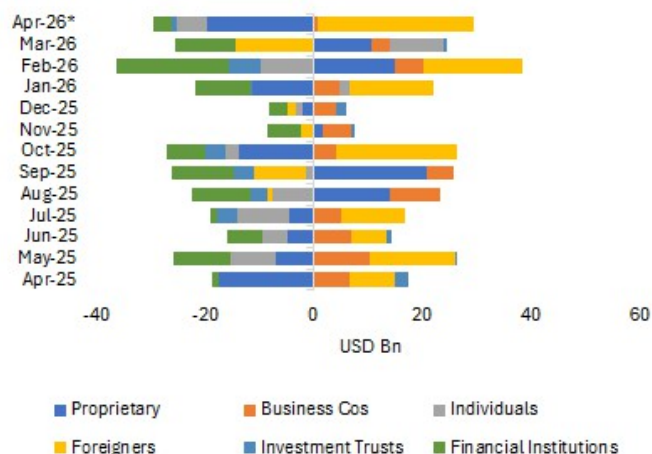


Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy

Looking at broader market flows, **foreign investors have returned as strong buyers of Japanese equities in April** — purchasing USD 28 billion through April 24, more than reversing the USD 14 billion of net sales seen in March. On the **futures side, foreign flows have been net negative through April**, and a convincing return in futures buying

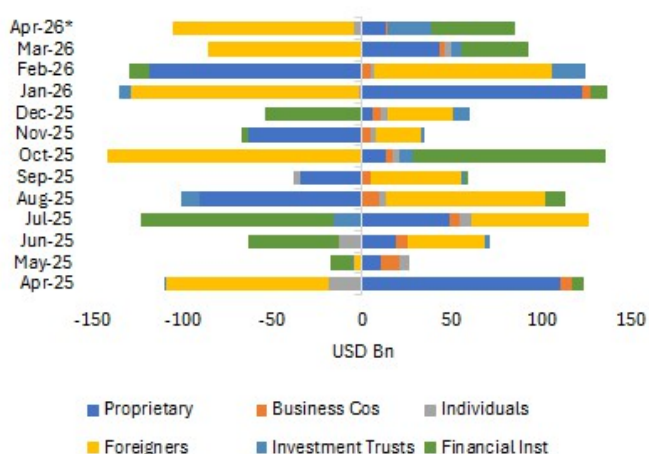
has yet to materialize. That said, the **week ending April 24 saw the first positive foreign flow in NKY futures** since end-March — an early sign worth monitoring.

Figure 33: Monthly net flows in NKY cash market by investor type



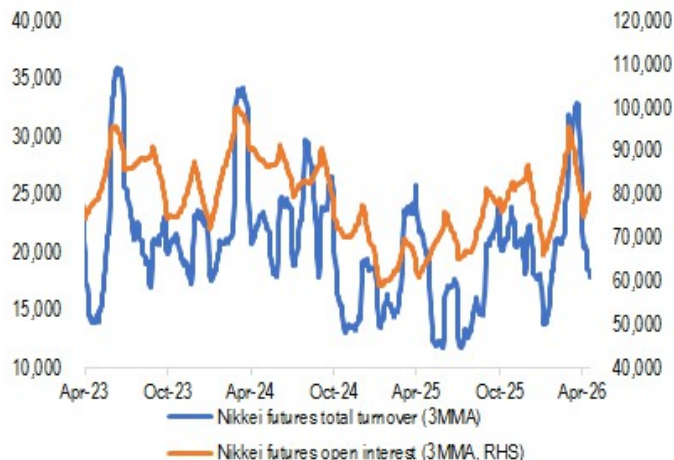
Data as of 24 April 2026.
Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy

Figure 34: Monthly net flows in NKY futures market by investor type



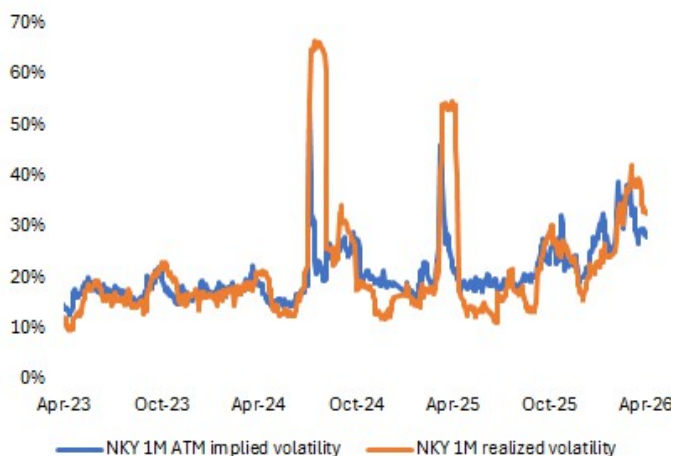
Data as of 24 April 2026.
Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy

Figure 35: Turnover and open interest in NKY futures



Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy

Figure 36: NKY implied and realized volatility remain elevated

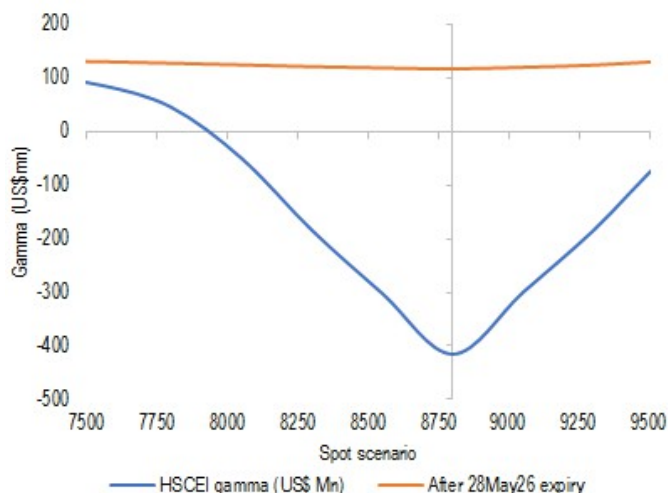


Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

HSCEI: Range-Bound Action and a Return to Long Gamma

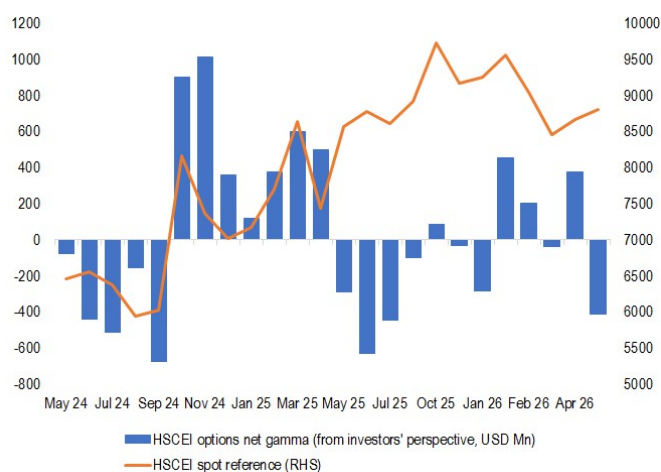
HSCEI traded in a range through April, fluctuating between roughly 8,600 and 8,900 — supported by AI and tech-driven rallies and continued mainland capital inflows, but capped by periodic flare-ups in geopolitical tensions. The range-bound price action is **consistent with dealers' gamma positioning, which has flipped back to long** from the modest short gamma observed in early April. Around spot 8,800, we estimate dealers are now long roughly USD 415mn of gamma, equivalent to about 5% of futures turnover, with **investors net sellers of options — particularly calls**. Overall activity in the options market remains subdued versus history.

Figure 37: Investors' gamma positioning in HSCEI



A positive number indicates investors (dealers) are long (short) gamma. Data as of 29 April 2026.
Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy

Figure 38: Investors' (dealers') gamma in HSCEI options



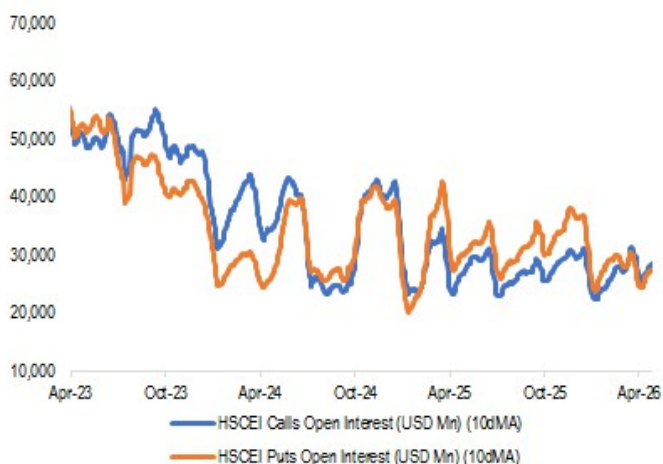
A positive number indicates investors (dealers) are long (short) gamma. Data as of 29 April 2026.
Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy

Table 3: Estimated HSCEI-linked derivatives net gamma outstanding overview

HSCEI spot	7,800	8,050	8,300	8,550	8,800	9,050	9,300	9,550	9,800
Listed options gamma (USD mn)	-61	-161	-318	-458	-593	-486	-368	-232	-133
-Calls gamma (USD mn)	-11	-66	-163	-285	-415	-355	-283	-178	-99
-Puts gamma (USD mn)	-50	-95	-154	-174	-179	-130	-85	-55	-34
Autocallable gamma (USD mn)	-37	-38	-20	-3	15	19	12	5	-2
Leveraged ETF gamma (USD mn)	145	150	155	159	164	169	173	178	183
Total gamma (USD mn)	47	-48	-183	-302	-415	-298	-183	-49	48
Gamma as % of futures t/o (3MMA)	1%	-1%	-2%	-3%	-5%	-3%	-2%	-1%	1%

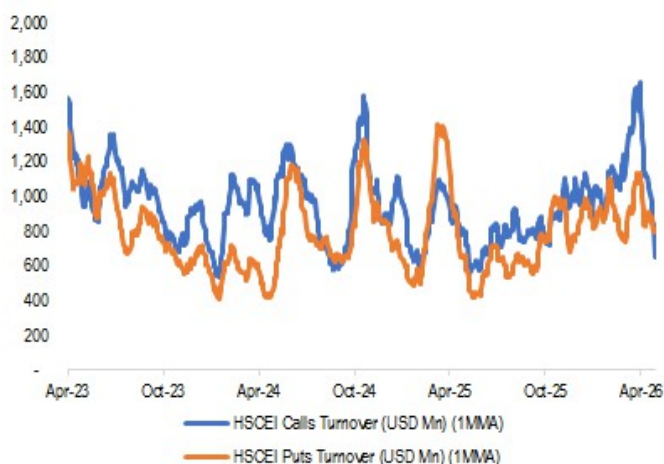
A positive number indicates investors (dealers) are long (short) gamma. Data as of 29 April 2026.
Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy

Figure 39: HSCEI options open interest



Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy

Figure 40: HSCEI options turnover



Source: Bloomberg Finance L.P., J.P. Morgan Equity Derivatives Strategy

Korea Structured Product Issuance Rebounds; Japan Remains Muted

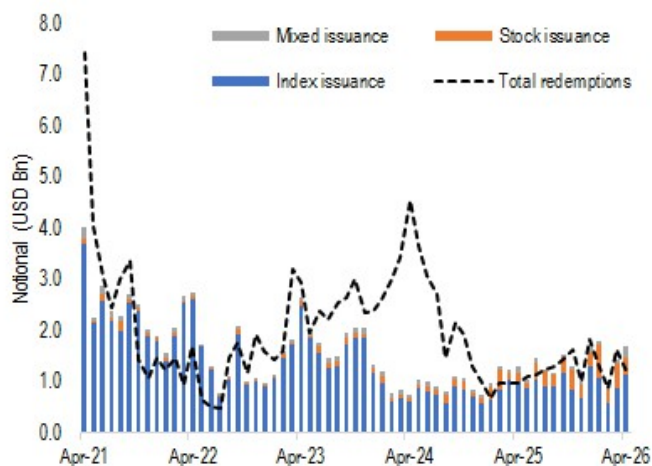
Structured product issuance trends in Korea and Japan

April saw a clear **revival in Korea's structured product market**, with issuance rebounding sharply as risk appetite stabilized and equity markets firmed. New issuance reached **USD 1.7bn — the highest monthly total so far this year** and well ahead of redemptions at USD 1.2bn.

Index-linked products remained the dominant segment, accounting for USD 1.1bn of total issuance. Worst-of basket structures tied to KOSPI2, S&P 500 (SPX), and Euro Stoxx 50 (SX5E) continued to be the most popular, with KOSPI2 once again leading as the top underlying, followed by SPX and SX5E.

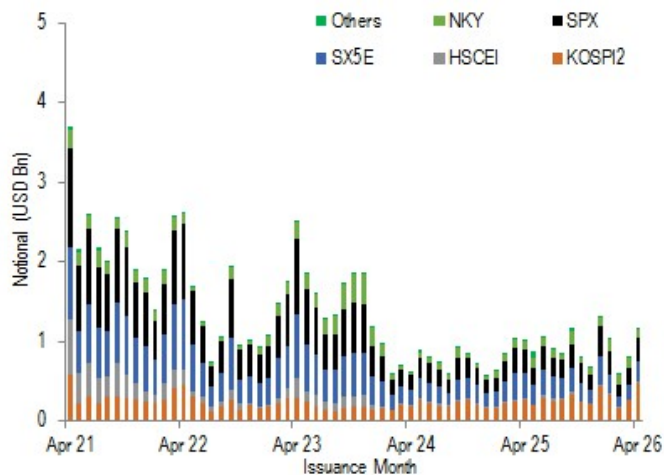
Within single-stock products, **the spotlight shifted to domestic tech giants — Samsung Electronics (USD 94mn) and SK hynix (USD 74mn)** accounted for the lion's share of the month's USD 340mn in single-stock issuance, a notable departure from previous months when overseas names such as Tesla and Nvidia dominated. While overall volumes in single-stock-linked products eased from last month's levels, activity remains above the long-term average, reflecting persistent investor demand for this segment.

Figure 41: Korean ELS issuance and redemption history



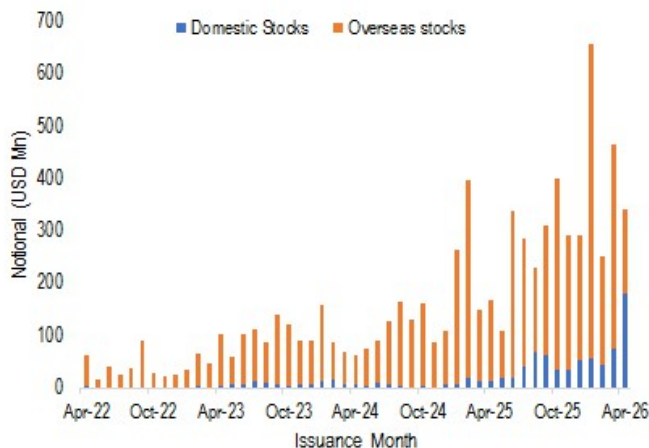
Source: J.P. Morgan Equity Derivatives Strategy, KSD. *Based on issuance data as of April 2026 end.

Figure 42: Korean ELS issuance by major index underlying



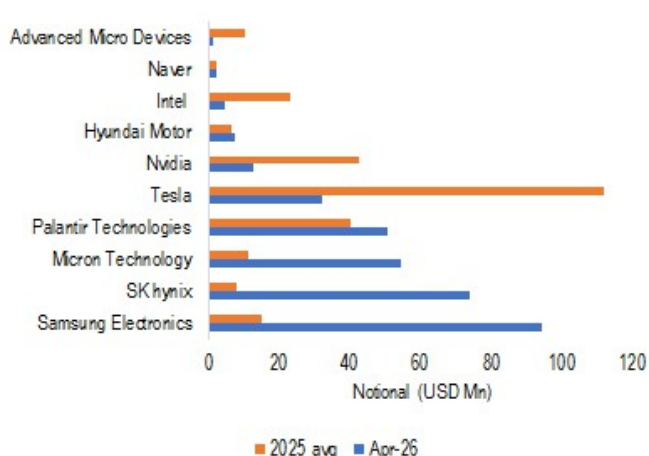
Source: J.P. Morgan Equity Derivatives Strategy, KSD. *Based on issuance data as of April 2026 end.

Figure 43: Korea ELS issuance trend for stock underlyings



Source: J.P. Morgan Equity Derivatives Strategy, KSD. *Based on issuance data as of April 2026 end.

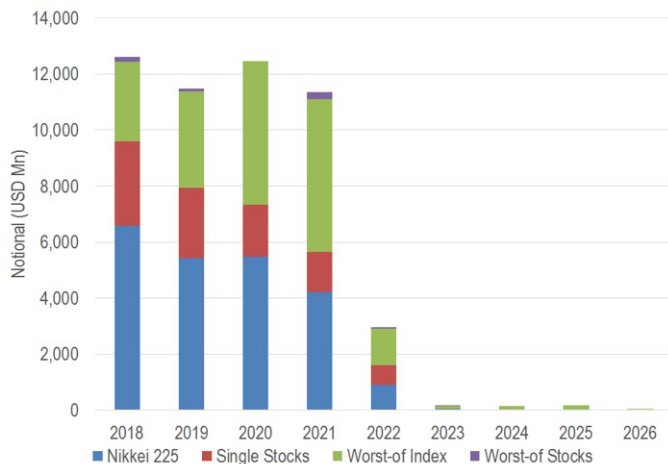
Figure 44: Top 10 stocks by issuance notional in April 2026



Source: J.P. Morgan Equity Derivatives Strategy, KSD. *Based on issuance data as of April 2026 end.

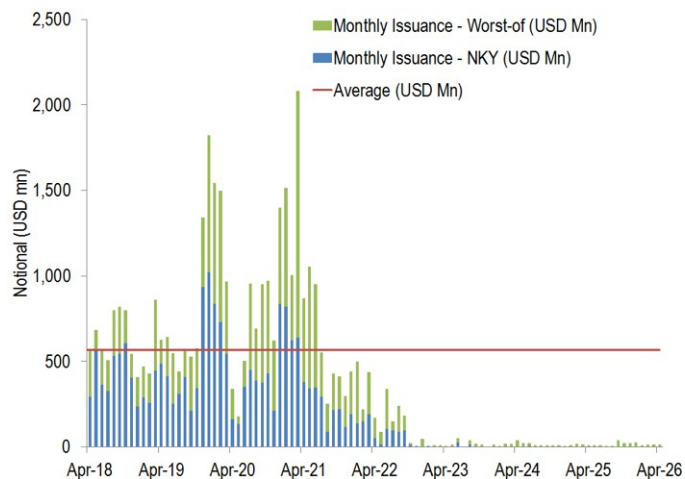
Japan: In Japan, structured product issuance **continued to be extremely limited in April 2026**, with just USD 13 million in NKY-linked products issued during the month.

Figure 45: Japan structured product issuance history



Source: J.P. Morgan Equity Derivatives Strategy. *Based on issuance data as of April 2026 end. The data are for public offerings only.

Figure 46: NKY structured product issuance by month



Source: J.P. Morgan Equity Derivatives Strategy. *Based on issuance data as of April 2026 end. The data are for public offerings only.

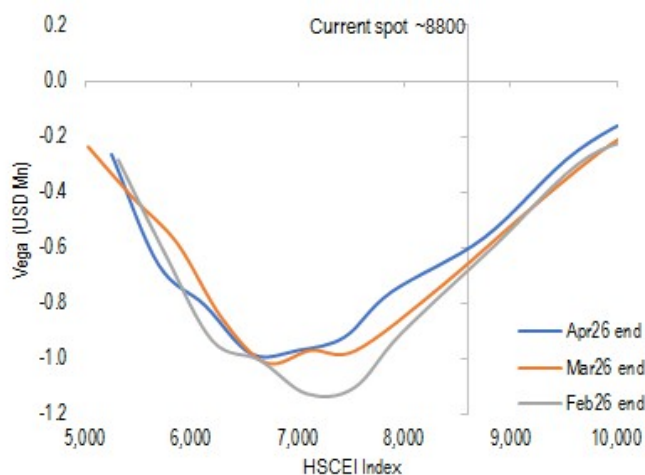
Risk profile of structured products indices

We estimate that **structured products have approximately US\$0.6 million in Vega outstanding in HSCEI** at a spot level of around 8,800. Dealers' current exposure to HSCEI Vega risk is relatively low, mainly due to the limited outstanding notional, as a substantial amount of products expired last year without corresponding reinvestments. We estimate that a 10% upward move in spot would result in Vega demand of approximately US\$0.3 million, while a 10% decrease in spot would lead to potential Vega supply of about US\$0.2 million. Due to the low outstanding notional, we anticipate minimal impact from product knock-outs.

Outstanding **Vega tied to KOSPI2 is estimated at around US\$5.8 million** at spot ~1000. We estimate that a 10% decrease in spot would result in potential Vega supply of approximately US\$3.3 million, while a 10% increase in spot would lead to potential Vega demand of about USD 1.9 million. On the redemption side, the nearest knock-out barrier with upcoming observations in the next three months is concentrated in a range between 480 and 600, with outstanding notional of approximately US\$1.6 billion. Whether knock-outs will occur depends on other indices being referenced in the worst-of basket.

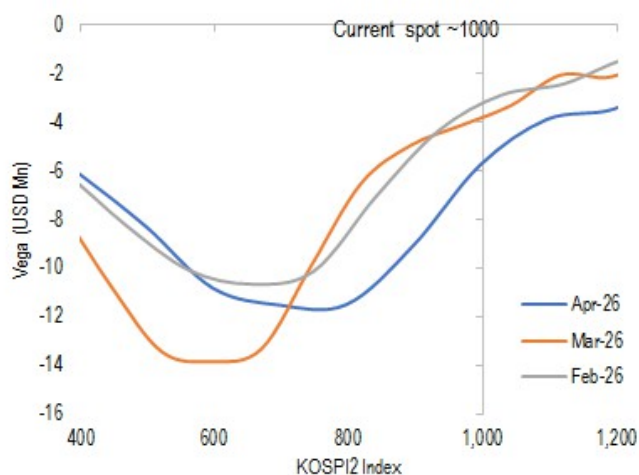
At spot ~60,000, dealers' **Vega exposure in NKY-linked Korean and Japanese structured products is estimated at about USD 2.5 million**. Vega risk is broadly unchanged versus our last update, given limited new issuance. On the redemption side, upcoming knock-out observations over the next three months are largely concentrated at barriers above 40,000, with outstanding notional around USD 900 million. Whether these knock-outs are triggered will depend on the performance of the other indices referenced in the worst-of baskets.

Figure 47: Estimated Vega profile for HSCEI-linked structured product (from the perspective of products)



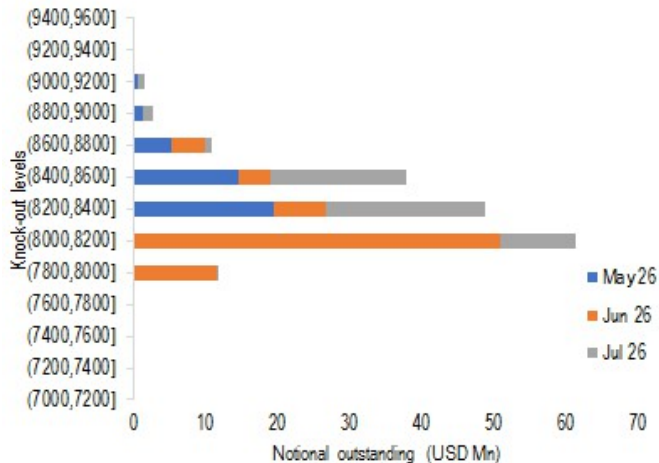
Source: KSD, J.P. Morgan Equity Derivatives Strategy. *Based on the issuance data as of April 2026 end.

Figure 48: Estimated Vega profile for KOSPI2-linked structured product (from the perspective of products)



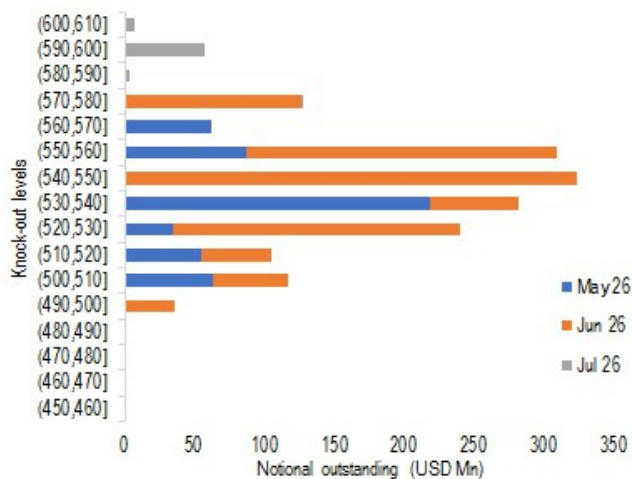
Source: KSD, J.P. Morgan Equity Derivatives Strategy. *Based on the issuance data as of April 2026 end.

Figure 49: Distribution of outstanding notional for HSCEI-linked structured products by knock-out level



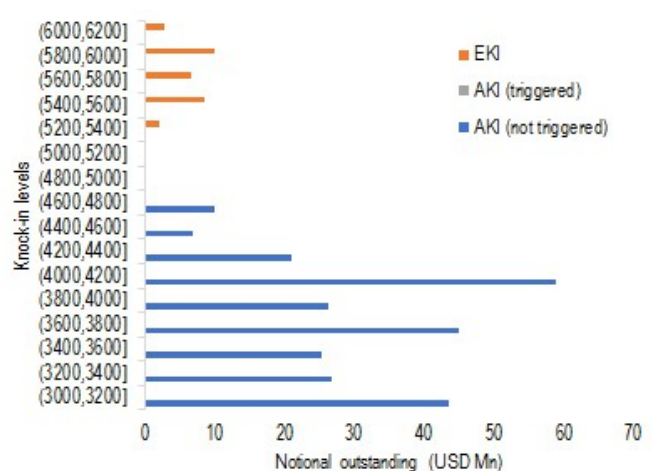
Source: KSD, J.P. Morgan Equity Derivatives Strategy. *Based on the issuance data as of April 2026 end. Current spot level is at ~8800.

Figure 51: Distribution of outstanding notional for KOSPI2-linked structured products by knock-out level



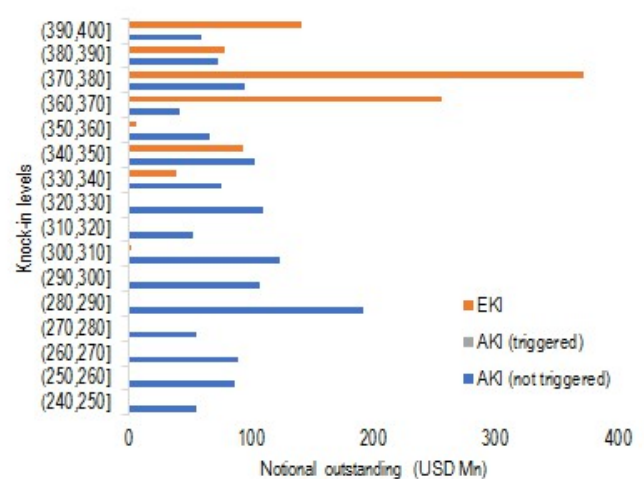
Source: KSD, J.P. Morgan Equity Derivatives Strategy. *Based on the issuance data as of April 2026 end. Current spot level is at ~1000.

Figure 50: Distribution of outstanding notional for HSCEI-linked structured products by knock-in level



Source: KSD, J.P. Morgan Equity Derivatives Strategy. *Based on the issuance data as of April 2026 end. Current spot level is at ~8800.

Figure 52: Distribution of outstanding notional for KOSPI2-linked structured products by knock-in level



Source: KSD, J.P. Morgan Equity Derivatives Strategy. *Based on the issuance data as of April 2026 end. Current spot level is at ~1000.

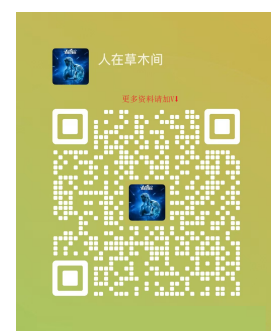
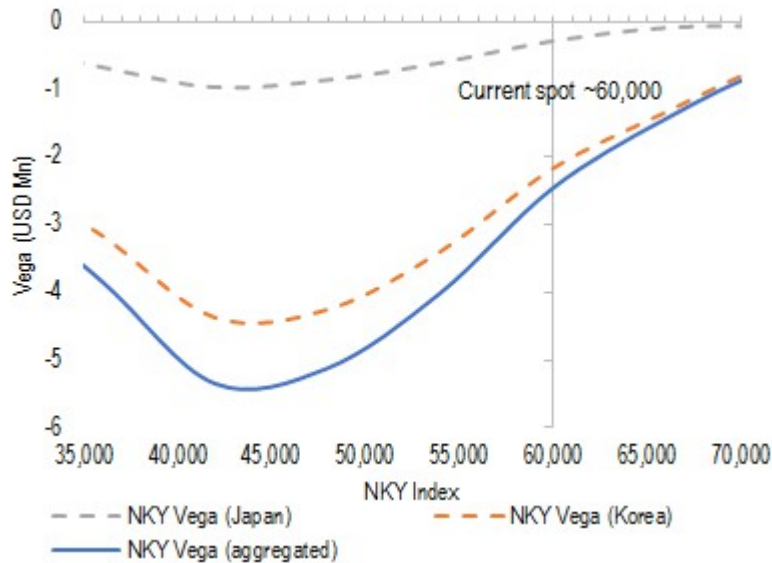
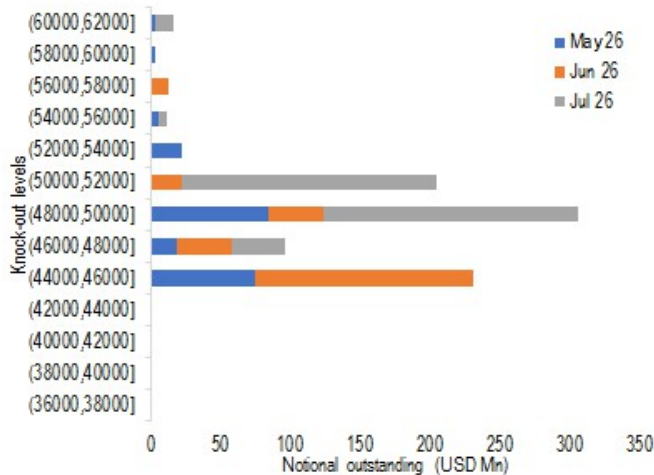


Figure 53: Estimated Vega profile for NKY-linked structured products (from the perspective of products)



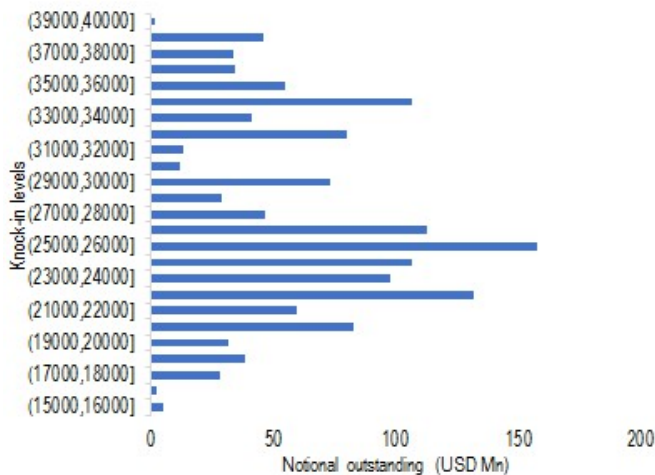
Source: KSD, J.P. Morgan Equity Derivatives Strategy. *Based on the issuance data as of April 2026 end.

Figure 54: Distribution of outstanding notional for NKY-linked structured products by knock-out level



Source: KSD, J.P. Morgan Equity Derivatives Strategy. *Based on issuance data as of April 2026 end. Current spot level is at ~60000.

Figure 55: Distribution of outstanding notional for NKY-linked structured products by knock-in level



Source: KSD, J.P. Morgan Equity Derivatives Strategy. *Based on issuance data as of April 2026 end. Current spot level is at ~60000.