

Asia rides the AI wave

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12 May 2026

From semiconductors to memory chips, Asia is emerging as a critical force in the global AI value chain.



According to **Paul Ho**, Group Head of Asia ex-Japan Equities, Asia tech stocks have rallied alongside their US counterparts in recent weeks. Amid a growing recognition that the next phase of AI growth is not just about software and applications, but also the physical infrastructure that powers them, investors are seeking to capture a fuller spectrum of the AI opportunity.

As a result, attention is broadening beyond US software-led exposure and into Asia's AI hardware ecosystem. This has brought Asia, particularly North Asia, into the spotlight.

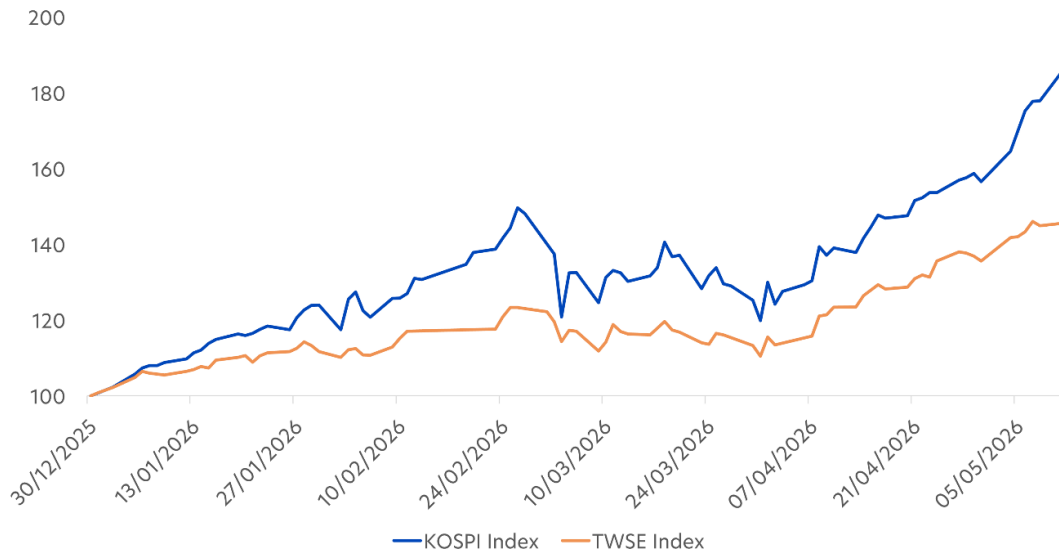
Asia at the heart of AI hardware

Asia produces many of the essential components that power AI systems, from advanced semiconductors in Taiwan to high-performance memory chips in South Korea.

AI demand is inherently hardware-intensive. Training AI models requires significant computing power, and with AI workloads becoming larger and more complex, especially with the rise of agentic AI, demand for semiconductors and memory chips has been rising significantly. This has translated into strong earnings momentum for AI-linked chipmakers, sparking a renewed

rally in tech-heavy Asian markets. Taiwan’s Taiex has risen around 7 percent since the start of May, while South Korea’s Kospi has surged roughly 18 percent¹, pushing both indices to record highs.

Fig 1: Kospi, Taiex: YTD performance



Source: Bloomberg, as of 11 May 2026

The message is clear. As AI spending transitions from innovation to infrastructure build-out, leadership in the AI investment cycle is broadening beyond US tech mega-caps to Asia’s hardware enablers, reinforcing the case for a balanced, multi-region AI allocation. This shift is most clearly reflected in Taiwan and South Korea, the two markets at the core of the AI hardware value chain.

Taiwan: The leader in AI chip production

Taiwan plays a central role in the AI ecosystem as the world’s leading hub for advanced semiconductor manufacturing. Its strength lies in a specialised model that allows global tech companies to design cutting edge chips while relying on Taiwanese firms to manufacture them at scale. As AI models become more complex and computing intensive, this manufacturing capability has become increasingly critical.

At the centre of this ecosystem is Taiwan Semiconductor Manufacturing Company (TSMC), the world’s largest and most advanced contract chipmaker. Serving customers such as Nvidia and Apple, TSMC produces the majority of leading-edge chips used in AI accelerators, data centres, and high-performance computing systems.

Driven by strong AI chip demand, TSMC reported a 58 percent year on year profit growth in Q1 2026, highlighting how rising global AI infrastructure spending is feeding into earnings across Taiwan’s semiconductor leaders.

Beyond TSMC, the broader Taiwanese tech ecosystem is also benefiting from the AI-driven surge in hardware demand. In March 2026, Taiwan’s total exports reached a record US\$80 billion, with growth overwhelmingly driven by exports of AI-linked products such as servers, graphics cards, and semiconductors.

Furthermore, operating at the most advanced end of chipmaking, Taiwanese firms benefit from high barriers to entry and limited global competition. As chip complexity increases, these technological advantages are becoming more difficult to replicate, reinforcing Taiwan's position at the core of AI chip production and supporting more durable earnings growth.

South Korea: Powering AI through memory

Over in South Korea, a similar story is unfolding. The country plays an important role in the AI ecosystem as a global leader in memory semiconductor production.

While advanced chips such as those produced in Taiwan run the core computations that power AI models, memory is essential for storing and processing the vast amounts of data that AI systems require. As AI workloads become larger and more data-intensive, demand for high-performance memory is rising in tandem, positioning Korean memory producers as key beneficiaries of this shift.

The strength of this demand is increasingly visible in earnings. Samsung Electronics and SK Hynix, the world's leading memory chipmakers, have reported sharp increases in revenue and operating profit, led by surging demand for AI focused memory such as high bandwidth memory (HBM) and server DRAM.

Notably, both companies achieved strong profit margins exceeding 70 percent in Q1 2026, reflecting the impact of HBM – a critical component for AI servers and data centres that has become a key bottleneck in the supply chain. As demand for advanced AI memory continues to outpace production capacity, this is supporting firmer pricing and stronger margins for leading players.

China: A different take on AI

While Taiwan and South Korea anchor the hardware backbone of AI, China offers a distinct entry point into the theme, one that is centred on self-sufficiency. In response to US export restrictions, China has accelerated efforts to build a self-contained AI ecosystem, spanning semiconductors, cloud infrastructure, and applications.

This push is backed by significant policy support and funding aimed at strengthening domestic chip capabilities and reducing reliance on foreign suppliers. As a result, China's AI chip market is estimated to reach US\$51 billion by 2030, with 76 percent of chip supply coming from domestic companies², underscoring how China's AI supply chain is being increasingly localised.

At the same time, China's consumers and companies are driving rapid integration of AI across sectors from e-commerce and fintech to healthcare and industrial automation. This creates opportunities not only in hardware, but increasingly across the application and industrial technology layers, where AI is being deployed at scale.

However, geopolitical tensions and ongoing trade restrictions on AI technology remain key risks, underscoring the need for a selective approach when investing in China's tech sector.

The big picture

Taken together, Taiwan, South Korea, and China highlight how the AI opportunity is no longer confined to a single market or segment of the technology stack. From advanced chip production to memory and large-scale AI deployment, Asia offers exposure to multiple layers of the AI value chain.

As AI spending continues to scale globally, Asia's AI ecosystem provides a natural complement to US tech exposure, helping investors capture a broader range of opportunities while enhancing portfolio diversification.

Source: UOB Asset Management Ltd.

1 Source: Bloomberg, as of 11 May 2026

2 Source: Morgan Stanley forecasts

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