South Korea

Tip of the Liquidity Spear

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“When global liquidity begins to contract, it shows up in the highest beta asset classes and names because these assets are most sensitive to changes in liquidity.

In bull markets of any significant length, investors forget that the expanding liquidity which rapidly pushed up asset prices in the recent past, decreases prices with the equal severity when it contracts.”

-- Anonymous Veteran Trader

South Korea’s AI Bubble

We take a deeper look at how the AI Bubble has affected South Korea’s KOSPI Stock Index.

South Korea
KOSPI Index
(1990 - 2026)
+300%
in 6 mo.
2026
6,747.95 -72.65 (-1.07%)
point
1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024 2025 2026 2027 2028

South Korean Won

USDKRW (Won/USD), Monthly

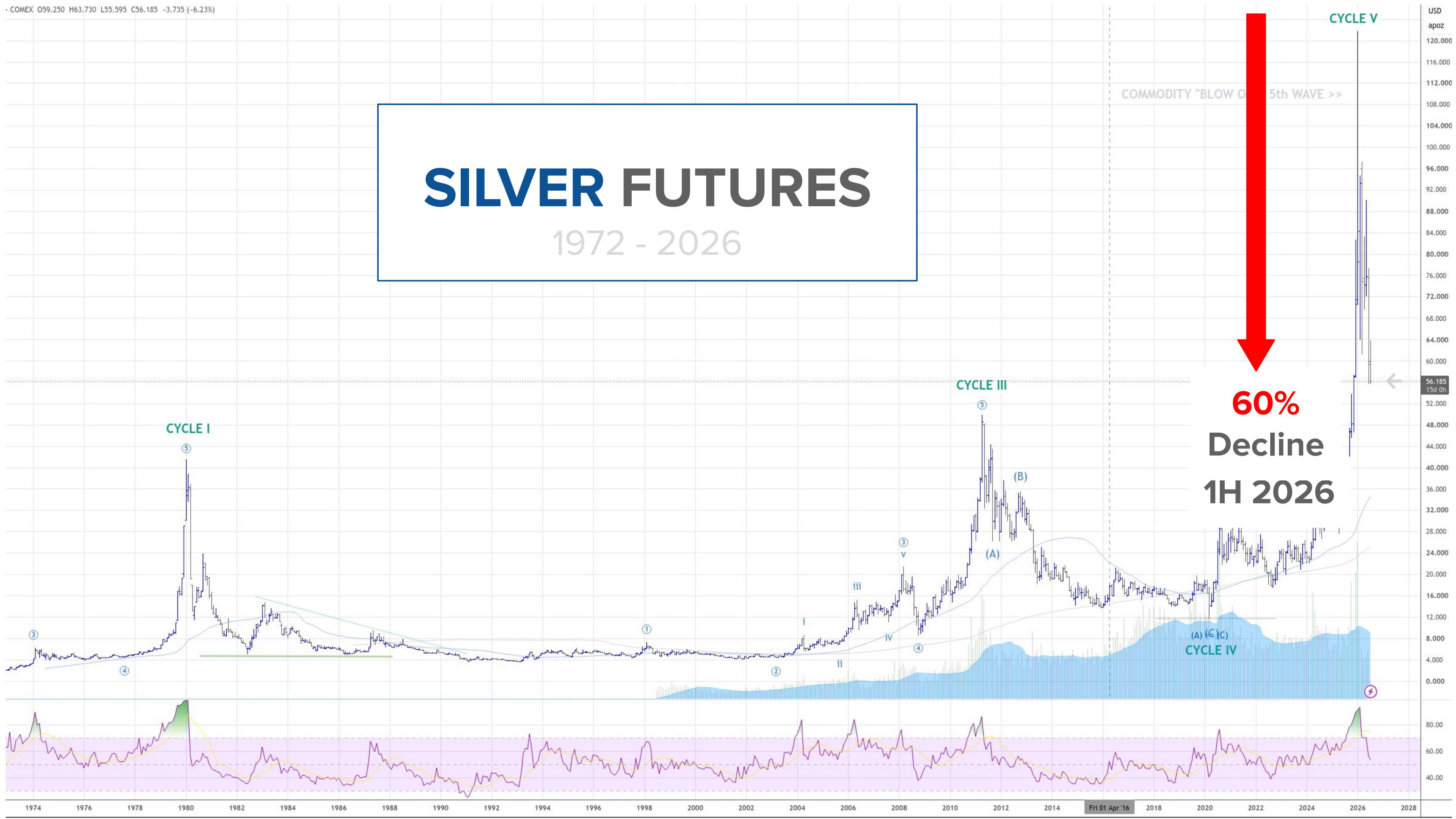
KOSPI: South Korea’s Meteoric Rise

KOSPI +300% rally in 2026 is due, in part, to the A.I. boom; however, the following factors play a greater role:

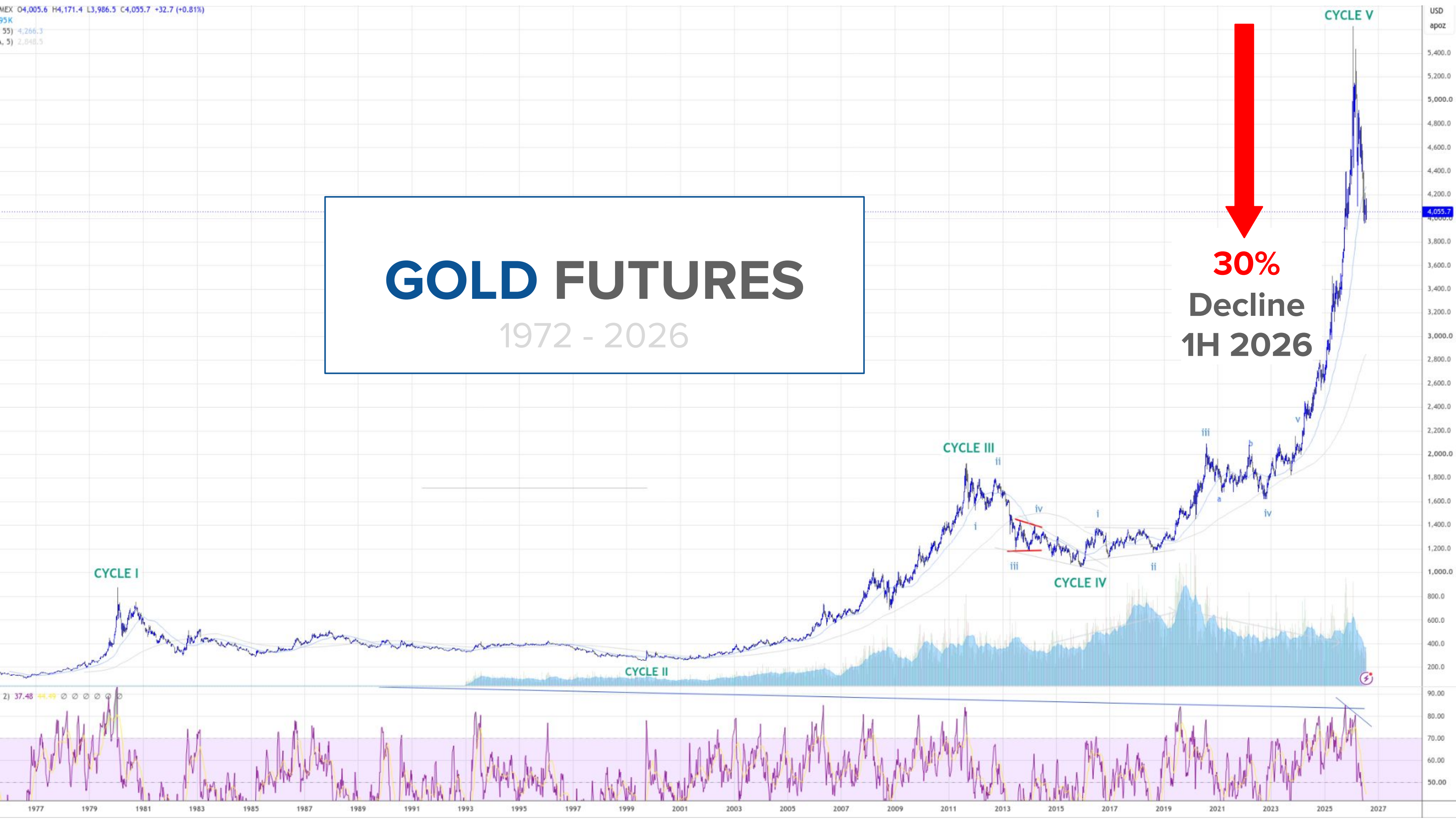
- **Contractions in Global Liquidity** currently appear in various ancillary asset markets worldwide.
- Liquidity contractions appear initially in the highest beta stock indexes and names such as South Korea’s KOSPI.
- **Half of the Rally’s Magnitude** in USD can be attributed to a weakening Korean Won; however, rally is still more than 150% in USD terms -- exceptionally outsized performance.

KOSPI: South Korea's Meteoric Rise

- **High Retail Participation**. Korean market is unique in that retail investors generate 60-70% of daily transaction volume with institutions + mm's generating only 30%.
- **Precious metals**, like high beta equities, are highly sensitive.
- **Silver**. In contrast to U.S. Equity Markets, the global market for silver derivatives currently suffers a sharp decline as the effects of contracting global liquidity take hold.
- **Gold**. Similar to silver, Gold derivative markets display a sharp break from a recent all-time high.



COMEX O59.250 H63.730 L55.595 C56.185 -3.735 (-6.23%)
SILVER FUTURES
1972 - 2026
CYCLE I
CYCLE III
CYCLE IV
CYCLE V
COMMODITY "BLOW O 5th WAVE >>
60%
Decline
1H 2026
(A)
(B)
USD


MEX O4,005.6 H4,171.4 L3,986.5 C4,055.7 +32.7 (+0.81%)
GOLD FUTURES
1972 - 2026
30%
Decline
1H 2026
CYCLE I
CYCLE II
CYCLE III
CYCLE IV
CYCLE V
USD
4,055.7
1977
1979
1981
1983
1985
1987
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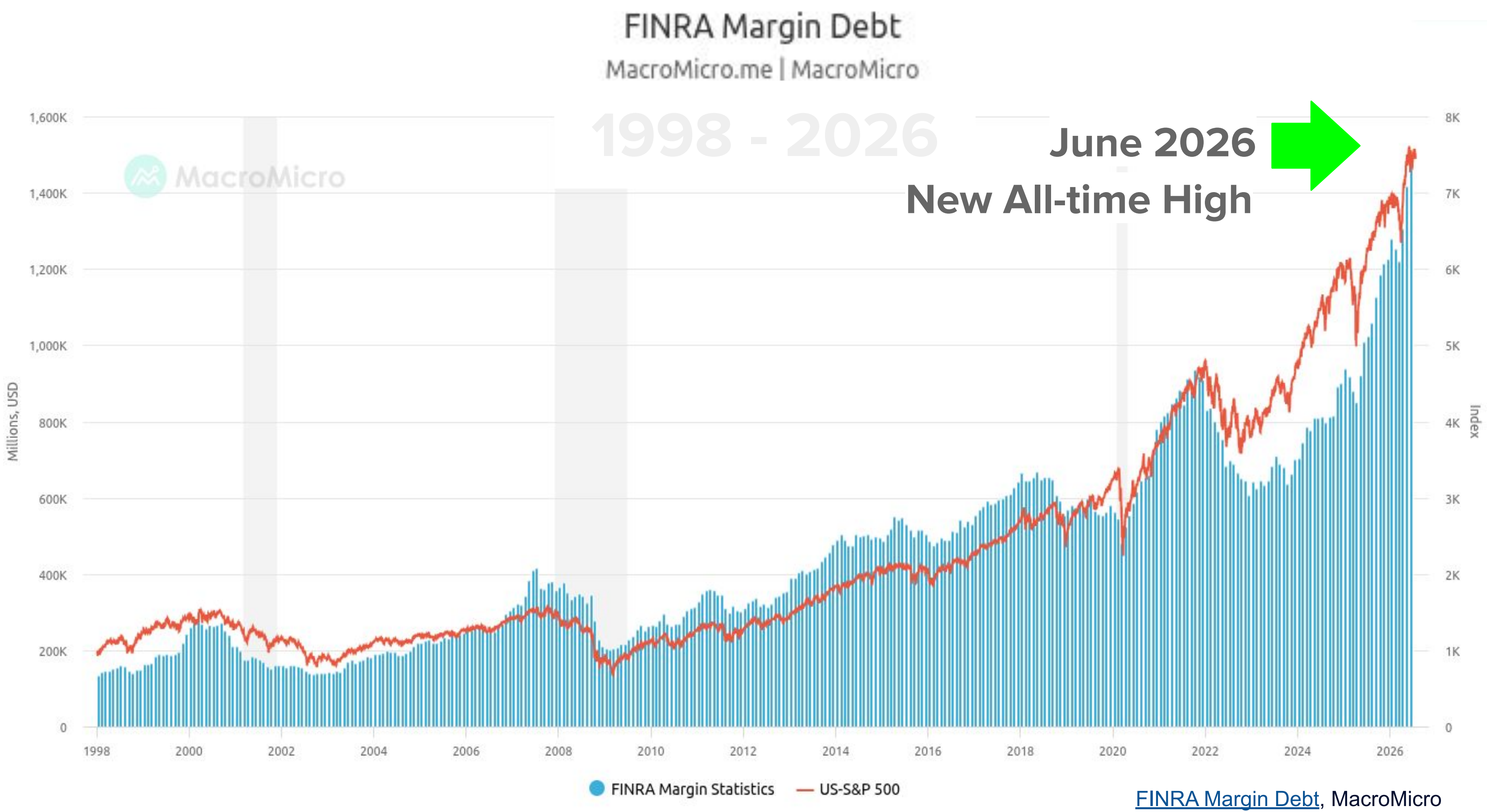
2027

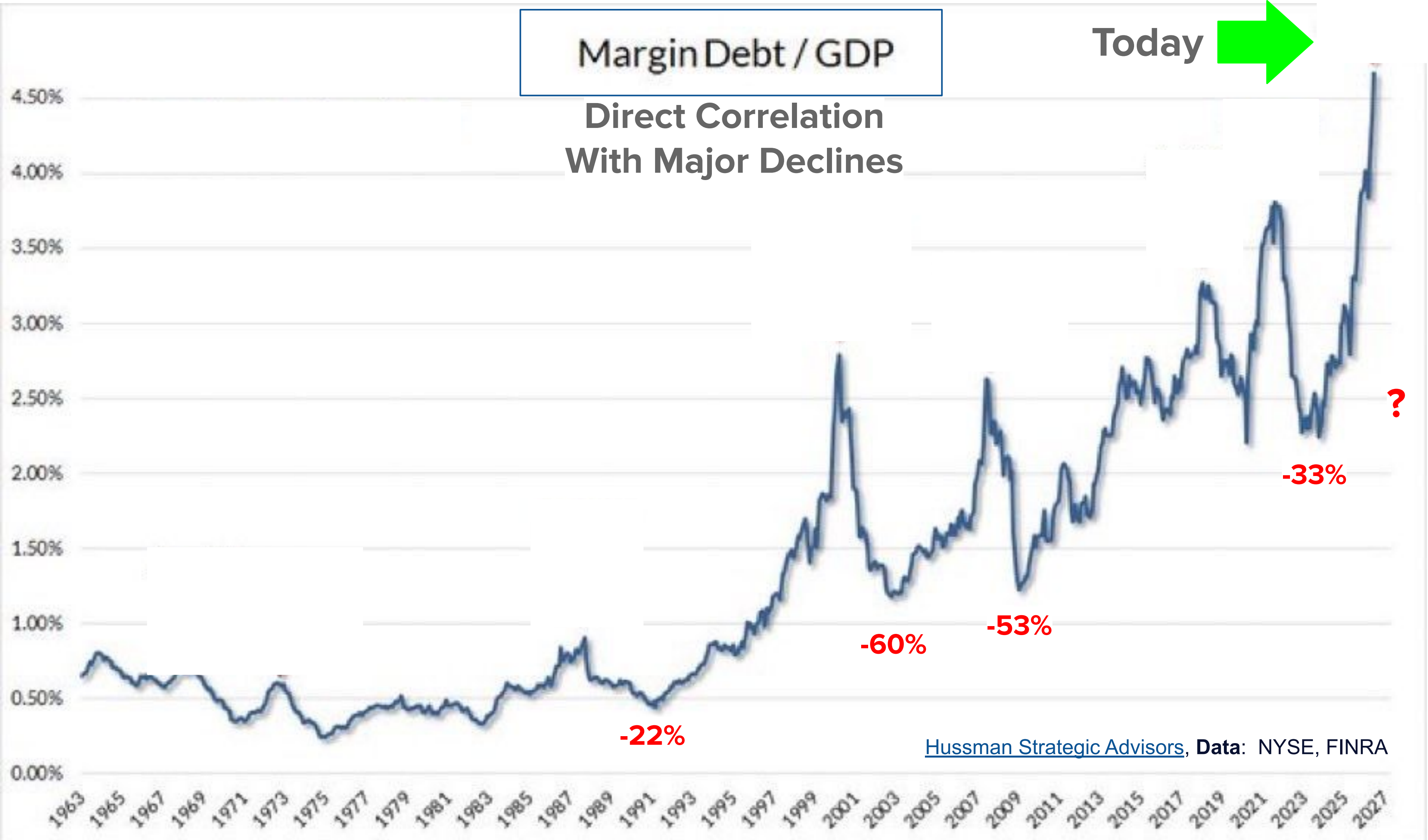

NEWS
news alert
BLACK MONDAY
LIVE NEWS ALERT

Margin Debt

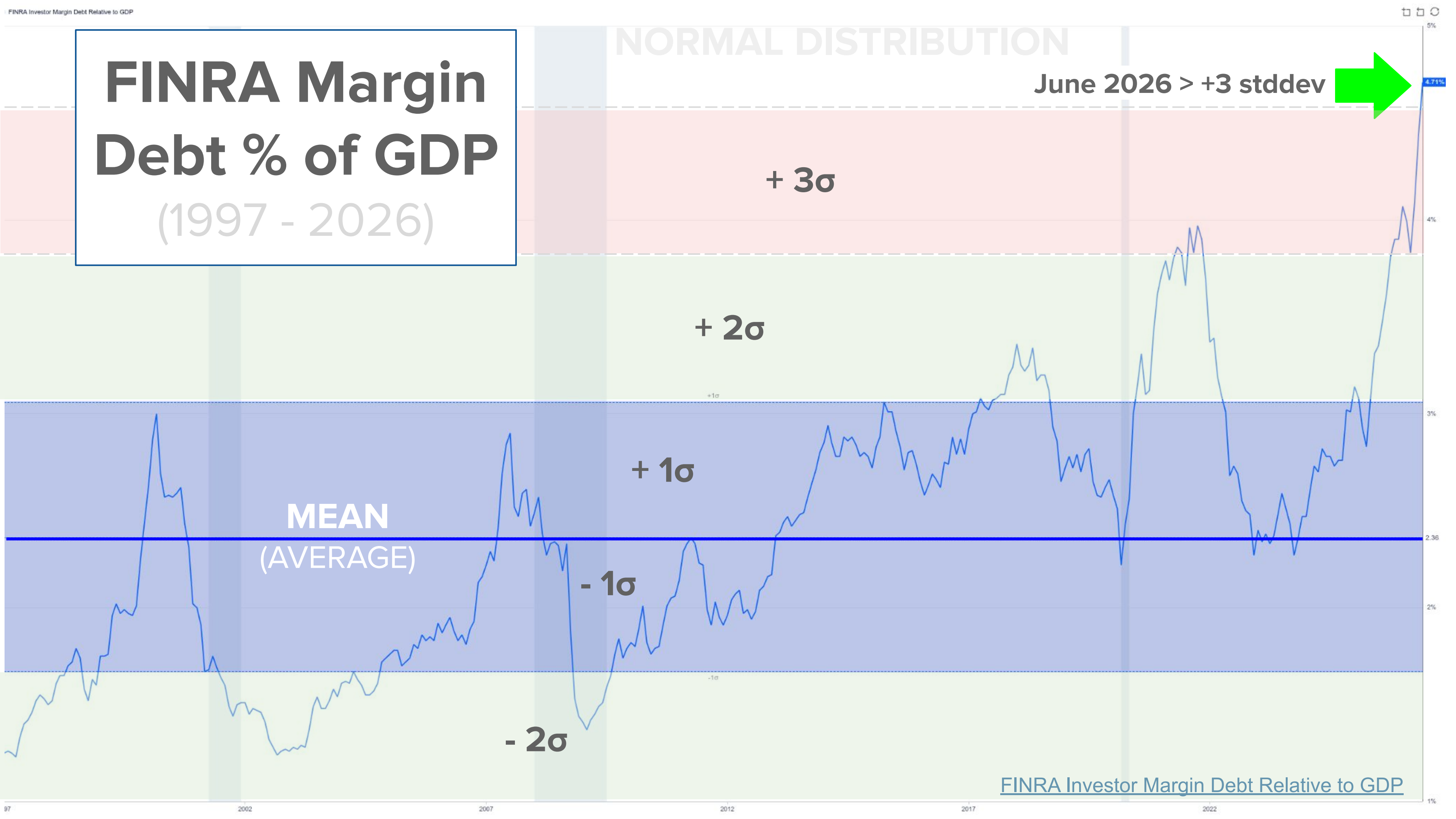
The ultimate measure of retail investor enthusiasm.



[FINRA Margin Debt](), MacroMicro



Margin Debt / GDP
Today
Direct Correlation
With Major Declines
4.50%
4.00%
3.50%
3.00%
2.50%
2.00%
1.50%
1.00%
0.50%
0.00%
-22%
-60%
-53%
-33%
?
Hussman Strategic Advisors, Data: NYSE, FINRA
1963 1965 1967 1969 1971 1973 1975 1977 1979 1981 1983 1985 1987 1989 1991 1993 1995 1997 1999 2001 2003 2005 2007 2009 2011 2013 2015 2017 2019 2021 2023 2025 2027



FINRA Investor Margin Debt Relative to GDP
NORMAL DISTRIBUTION
FINRA Margin Debt % of GDP
(1997 - 2026)
June 2026 > +3 stddev
4.71%
+ 3σ
+ 2σ
+1σ
+ 1σ
MEAN
(AVERAGE)
- 1σ
-1σ
- 2σ
5%
4%
3%
2.36
2%
1%
97
2002
2007
2012
2017
2022
FINRA Investor Margin Debt Relative to GDP

Closing Thoughts

Important conclusions and takeaways

Closing Thoughts

- South Korea KOSPI Index is a likely market to reveal signs of contracting global liquidity.
- South Korea’s equity market also has terminal metrics consistent with an important top such as high carried margin debt among retail investors.
- International derivative markets for precious metals (Silver, Gold) also appear to be showing contracting liquidity.

END

PRESENTATION