



OptionsHawk

Taiwan Semi Bulls Build Positions

Ticker/Price: TSM (\$44.25)

Analysis:

Taiwan Semiconductor (TSM) buyers this afternoon of 10,000 January \$45 calls for \$2.30 to \$2.50 and follows buyers this week in the October \$44 calls and January \$42 calls. TSM still has a large January \$46/\$50 call spread in OI from a buyer on 7-18 as well, over 15000X. Shares have run a lot this week with the trade-related news but longer-term setting up for a big monthly range breakout above \$45 which stretches back to mid-2018. A clean break higher targets a long-term move to \$56. The \$212.3B company trades 17.6X earnings, 6.6X sales, and 37.45X FCF with a 3.7% yield and mid-teens EPS growth. TSM expects 10.5% an 11.5% revenue growth through FY21. TSM saw a strong turnaround in Q2 after weakness to start the year with growth in 7nm shipments. TSM is seeing strong growth in High-Performance Computing and IoT which is helping offset some slowness in smartphones and automotive. TSM sees long-term strength in HPC as Nvidia (NVDA) GPUs gain in popularity behind secular tailwinds from AI/machine learning. Analysts have an average target for shares of \$50. CLSA upgrading to Buy from Sell in July given a likely acceleration in 5G deployment in China. The firm's checks indicate 5G base-station/smartphone shipment to be 8x-10x greater in 2020 than 2019, which could add \$6B-\$8B in sales to TSMC in 2020. Short interest is 0.3% while hedge fund ownership rose 10.5% in Q2. Fisher Asset Management, WCM, Oaktree Capital, and AQR all notable holders.

Hawk Vision:



Hawk's Perspective: TSM has been a steady strong performer for a while but also in this sideways range the last two years, and think there will be better spots to get involved if positioning for January and the eventual upside breakout.

Confidence Ranking: \$\$