

## SPOTLIGHT OPTION TRADE



### Taiwan Semi Positive Reward/Risk at Support into Extended Semiconductor Upcycle

#### TRADE SNAPSHOT

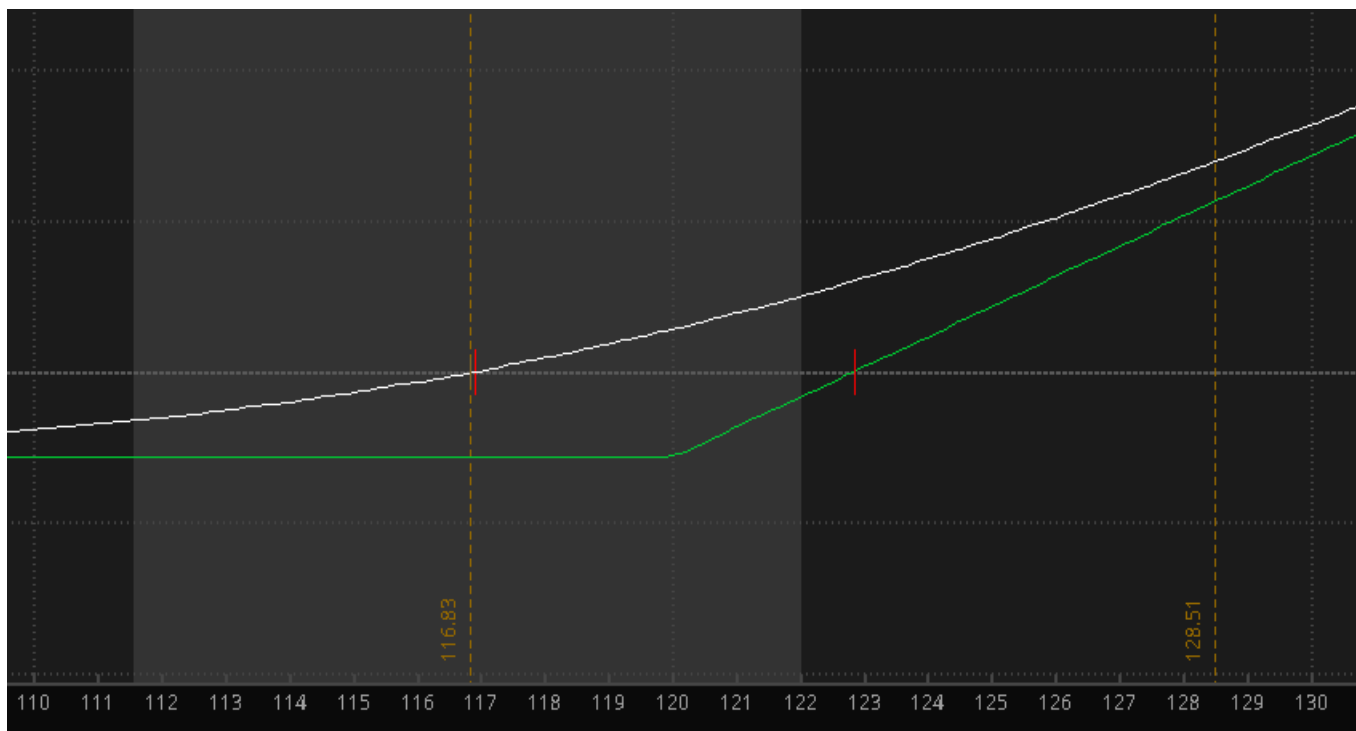
TICKER	TSM
SECURITY	Taiwan Semi
SECTOR	Tech – Semiconductor
CURRENT PRICE	\$116.83
LONG/SHORT	Long
TARGET	\$130
STOP	\$112
TIMEFRAME	5 Weeks

**Trading Strategy:** Long the TSM June \$120 Calls at \$2.85 or Better

**Net Debit/Credit:** Debit \$2.85

**Profitability Zone:** TSM Shares Above \$122.85 on June OpEx

**Options Volatility / Trade Simulator View:**





**Technical Analysis:** TSM forming a potential bottoming pattern with the downward slopping 55-day moving average acting as resistance recently. On the weekly TSM shares are forming a consolidation pattern above its 21-week moving average and VWAP off the September lows, a strong support area to trade against.



**Fundamental Analysis:** The \$545B Semi-Equipment leader trades 25.6X Earnings, 10.95X Sales and yields 1.5%. TSM revenues grew 31% in 2020 and are seen rising another 23.8% in 2021 and profitability remains very strong. TSM continues to see strong demand across its portfolio with a growth focus on smartphone, HPC, automotive and IoT. TSM is building a plant in Arizona to address the chip shortage and will remain a key player with its technology leadership. In April TSM announced a \$100B capex plan. TSMC also reiterated its 5-year revenue CAGR guidance of 10-15%. In Q1 it reported solid numbers; Quarterly revenue growth by platform is as follows: smartphone at -11% Q/Q, HPC at +14% Q/Q, IoT at 10%, automotive at +31%, and DCE at +11%. By geometry, 5nm contribution reached 14% of the company's quarterly revenue (vs. 20% in 4Q20) while other advanced nodes 7nm/16nm/28nm came in at 35%/14%/11%. GM (52.4%; down 160bps Q/Q) and Operating Margins (41.5%; down 190bps Q/Q) saw further sequential decline mainly due to higher advance node depreciation, higher RD expense and unfavorable FX trends. Analysts have an average target of \$138 and short interest is low at 0.2% of the float. Citi on 3/29 calling TSM weakness an enhanced buying opportunity.

### Options Activity:

Date	Description	Volume	Open Int	Price	Delta	Impl Vo	Prob.TTV	Premium Paid	Symbol	Current Price	Current OI	Price Change
5/7/2021	TSM 100 21 MAY 21 116 CALL	3,398	621	\$2.86	0.559	25.58%	53.84%	\$971,828	.TSM210521C116	\$2.81	621	-1.75%
5/6/2021	TSM 100 21 MAY 21 122 CALL	22,426	2,198	\$1.00	0.252	29.16%	23.32%	\$2,242,600	.TSM210521C122	\$0.66	18211	-34.00%
5/6/2021	TSM 100 (Weeklys) 14 MAY 21 120 CALL	3,540	938	\$0.87	0.283	27.63%	26.90%	\$307,980	.TSM210514C120	\$0.52	1695	-40.23%
5/4/2021	TSM 100 21 MAY 21 121 CALL	14,750	375	\$1.06	0.24	29.67%	22.10%	\$1,593,000	.TSM210521C121	\$0.87	4182	-17.92%
5/3/2021	TSM 100 20 AUG 21 110 PUT	4,000	2,048	\$4.50	-0.34	28.77%	40.11%	\$1,860,000	.TSM210820P110	\$3.45	6192	-23.33%
4/30/2021	TSM 100 20 AUG 21 115 PUT	2,545	442	\$6.55	-0.435	29.07%	50.11%	\$1,666,975	.TSM210820P115	\$6.15	3176	-6.11%
4/30/2021	TSM 100 (Weeklys) 7 MAY 21 117 CALL	2,830	438	\$1.57	0.503	22.13%	48.95%	\$444,310	.TSM210507C117	\$0.00	0	-98.09%
4/30/2021	TSM 100 (Weeklys) 7 MAY 21 116 CALL	2,494	281	\$2.12	0.607	21.95%	59.40%	\$528,728	.TSM210507C116	\$0.00	0	-60.38%
4/27/2021	TSM 100 21 MAY 21 133 CALL	5,412	366	\$0.57	0.12	31.28%	10.56%	\$313,896	.TSM210521C133	\$0.06	4622	-89.47%
4/27/2021	TSM 100 (Weeklys) 14 MAY 21 119 CALL	1,054	84	\$4.02	0.6	28.30%	57.21%	\$421,600	.TSM210514C119	\$0.72	1374	-82.09%
4/23/2021	TSM 100 21 MAY 21 118 CALL	2,077	143	\$3.80	0.531	28.90%	49.87%	\$789,260	.TSM210521C118	\$1.81	2951	-52.37%
4/23/2021	TSM 100 (Weeklys) 7 MAY 21 124 CALL	7,458	326	\$0.69	0.194	27.32%	17.94%	\$514,602	.TSM210507C124	\$0.00	0	-98.55%
4/22/2021	TSM 100 16 JUL 21 120 CALL	5,142	4,634	\$4.90	0.43	29.71%	37.68%	\$2,571,000	.TSM210716C120	\$4.45	12961	-9.18%
4/22/2021	TSM 100 16 JUL 21 110 CALL	5,002	1,415	\$10.01	0.67	29.70%	61.22%	\$5,002,000	.TSM210716C110	\$9.75	11445	-2.60%
4/21/2021	TSM 100 20 AUG 21 110 PUT	1,072	9	\$5.15	-0.36	29.06%	42.47%	\$568,160	.TSM210820P110	\$3.45	6192	-33.01%
4/20/2021	TSM 100 20 AUG 21 105 PUT	1,000	0	\$3.30	-0.29	34.54%	36.78%	\$330,000	.TSM210820P105	\$2.41	2496	-26.97%
4/20/2021	TSM 100 15 OCT 21 115 CALL	1,025	477	\$9.93	0.53	32.78%	44.07%	\$1,060,875	.TSM211015C115	\$9.62	1485	-3.12%
4/15/2021	TSM 100 20 JAN 23 200 CALL	2,140	2,053	\$5.45	0.2	38.66%	9.08%	\$1,187,700	.TSM230120C200	\$3.10	4566	-43.12%
4/15/2021	TSM 100 20 JAN 23 105 PUT	1,605	491	\$14.95	-0.33	32.18%	50.72%	\$2,399,475	.TSM230120P105	\$12.00	2295	-19.73%
4/14/2021	TSM 100 21 JAN 22 110 CALL	3,001	2,615	\$20.54	0.67	35.91%	55.06%	\$6,317,105	.TSM220121C110	\$14.60	5337	-28.92%
4/12/2021	TSM 100 21 MAY 21 120 CALL	5,353	2,521	\$5.52	0.53	35.21%	48.06%	\$3,051,210	.TSM210521C120	\$1.14	16941	-79.35%
4/12/2021	TSM 100 15 OCT 21 155 CALL	1,287	742	\$2.92	0.19	36.22%	12.78%	\$380,952	.TSM211015C155	\$1.12	1902	-61.64%
4/8/2021	TSM 100 18 JUN 21 120 PUT	2,721	1,026	\$5.55	-0.4	31.28%	45.50%	\$1,510,155	.TSM210618P120	\$6.17	4378	11.17%
4/7/2021	TSM 100 21 MAY 21 120 PUT	4,644	1,913	\$5.49	-0.46	33.71%	50.34%	\$2,507,760	.TSM210521P120	\$4.31	12364	-21.49%
4/6/2021	TSM 100 21 MAY 21 125 PUT	2,087	568	\$7.60	-0.55	34.53%	59.53%	\$1,586,120	.TSM210521P125	\$8.53	2911	12.24%
4/6/2021	TSM 100 20 JAN 23 110 CALL	2,644	2,366	\$29.23	0.65	39.64%	45.55%	\$7,746,920	.TSM230120C110	\$21.15	6336	-27.64%
3/29/2021	TSM 100 18 JUN 21 125 CALL	5,994	3,651	\$3.67	0.31	36.96%	25.50%	\$2,217,780	.TSM210618C125	\$1.47	11342	-59.95%

### Potential Catalysts: Monthly Sales Numbers

**Disclaimer:****Not Investment Advice or Recommendation**

*Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.*

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