



## Taiwan Semi Bulls Position for Next Leg Higher

Ticker/Price: TSM (\$58.80)

### Analysis:

**Taiwan Semi (TSM)** with 2,900 March \$60 calls bought today up to \$1.60, same spot where 3,400 bought on 1-28, and follows buyers since mid-December in the May \$60 calls, July \$55 and \$60 calls, and April \$60 calls which have all seen significant accumulation. Shares gapped higher today back above the 8- and 20-MA and clear path back to new highs above \$60.65 from January. A breakout targets \$67-\$70 range while continuing the uptrend from early 2019 when shares broke out of a multi-year consolidation. The \$291B semiconductor trades 16.7X earnings, 8.2X sales, and 14.5X cash with a 4.25% yield. TSM sees double-digit EPS growth and revenues up high-single digits next year. TSM continues to see strong growth in 7nm and shipments now 35% of their total mix while demand for smartphones and HPC (through Nvidia GPUs) continue to drive growth. They also continue to have a dominant presence in the growing automotive AI chip market with strong order flow from Intel (INTC) which should start to become a tailwind in the 2H. TSM fell a bit recently with concerns that coronavirus could weigh on production but report this morning that they have not seen a slowdown in orders from major fabless clients like Huawei. Analysts have an average target for shares of \$55. China Renaissance upgrading to Buy in December. The firm sees the company's 7nm capacity tightness extending to 2020 and concerns of 5G mobile clients' possible overbooking in the first half of 2020 is mitigated by the "strong" HPC-related order ramp-up in the second half of the year. Short interest is negligible. Hedge fund ownership rose 6.5% in Q3, Jericho Asset Management a buyer of 3.9M shares.

### Hawk Vision:



**Hawk's Perspective:** TSM is a very strong story for this Semi cycle and nearly spotlight traded it last week, a name to always target on group-driven sell-offs, best in class right now with major momentum.

**Confidence Ranking:** \$\$