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Global Technology | Asia Pacific

Global Tech Outlook 2026

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Asia and Europe Technology Hardware

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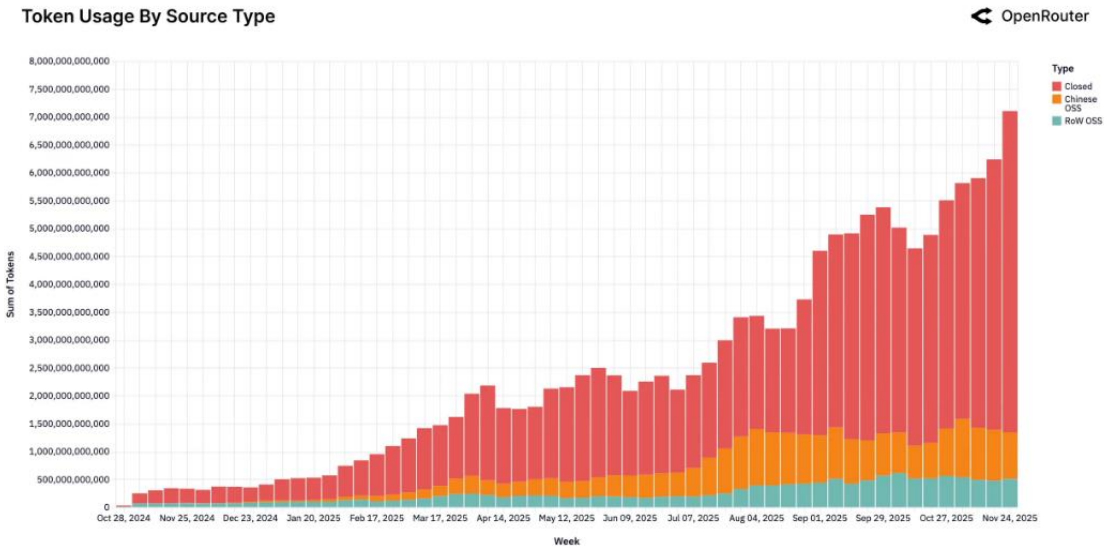
Token Demand Continues To Be Strong



Source: OpenRouter, Morgan Stanley Research

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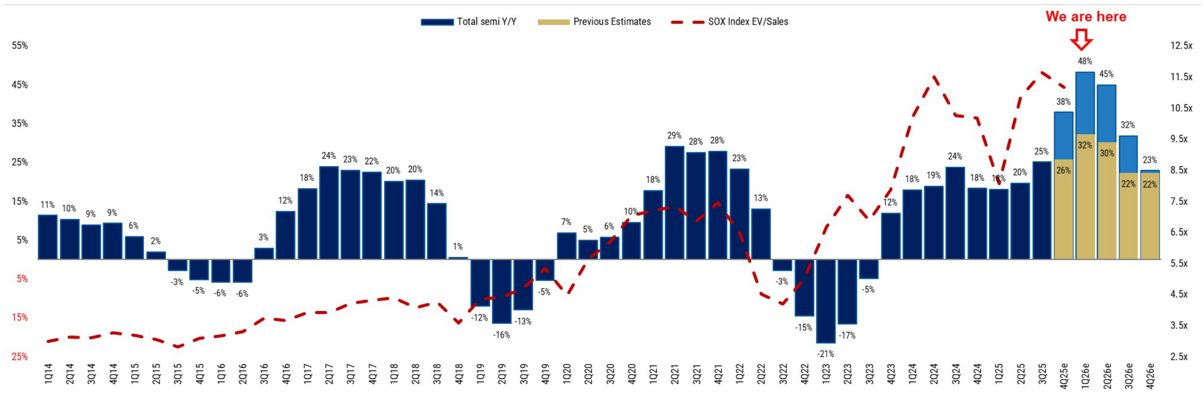
Where Are We in the Cycle?

SOX Index Valuation vs. Global Semiconductor Revenue YoY %



Source: SIA, FactSet, Morgan Stanley Research estimates

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Global sector picks – Semiconductors

	Sector View	AI secular drivers are durable, TMSC CoWoS is still promising	
Semiconductor	Memory	We see DRAM Pricing moving past all-time highs. New pricing highs typically lead to new stock high- with plenty of earnings this time to back them up. In conservative markets, memory stocks tend to outperform - supporting a continued investment stance across the sector.	**Most Preferred:** Samsung, Winbond **Least Preferred:** PSMC
	IC Foundry - Leading Edge	AI demand still helps TSMC to maintain 20% revenue CAGR in the following 5 years, while Taiwan matured foundry received some rush orders ahead of tariffs in 2Q25. China AI GPU foundry opportunity will be an incremental upside to TSMC forecasts.	**Most Preferred:** TSMC
	SPE	SPE upside broadens in 2H26. While back-end strength tied to AI remains intact, front-end equipment should re-accelerate on advanced logic and DRAM demand. We favour DRAM-exposed leaders, China-local beneficiaries, and names most levered to TSMC's advanced-node expansion.	**Most Preferred:** Resonac, Advantest, ASML, AMAT, NAURA, AMEC, SCREEN, ASMI **Least Preferred:**
	Discrete/Analog (Japan)	IGBT pricing pressure continues due to oversupply despite recovering demand; there is limited room for further pricing decline. MOSFET is on a slow recovery trend, and we prefer companies with increasing auto contribution.	**Most Preferred:** StarPower, Yangjie **Least Preferred:** Silan Micro, CR Micro
	Logic/IC Design (China)	China MCU inventory returns to normal, global peers still digesting. We will closely monitor the impact from government stimulus and expect stable pricing and gradual demand recovery from here.	**Most Preferred:** Espressif, Gigadevice **Least Preferred:** Sino Wealth, Unigroup Guoxin
	IC Design	IC designer should be impacted by rising cost, including foundry, OSAT, and memory. We expect the demand for consumer devices is likely going down in 2026, which also pressures IC designer margin. We prefer iOS and content gainers in PC semis. However, for those IC design houses that have high exposure to AI/Datacenter, the demand is still very strong.	**Most Preferred:** Aspeed, GUC, MediaTek **Least Preferred:** Novatek, Nuvoton, WPG, Parade, Realtek, Elan
	IC Foundry - Legacy	Still impacted by seasonality as well as consumer demand cannibalization from AI. But the whole industry is recovering.	**Most Preferred:** UMC **Least Preferred:** AWSC, WIN Semi
	OSAT	Srong AI demand has further constrained chip packaging and testing capacity for Taiwan's backend foundry vendors, such as ASE and KYEC.	**Most Preferred:** KYEC **Least Preferred:** JCET

Source: Morgan Stanley Research estimates

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Global sector picks – Hardware

	Sector View	AI Server demand to remain strong through 2026.	
Hardware	AI Hardware	We expect total Nvidia GPU server rack shipments to double y/y in 2026, from ~28k in 2025, outgrowing ASIC market sequentially and on a YoY baisis. Data center-related revenue is expected to be >40% of overall 2025 revenue and at least 50% in 2026. The offerings are margin-accretive at the operating level.	**Most Preferred:** Wiwynn, Accton, Kingslide, BizLink, Delta, Wistron **Least Preferred:** Giga-Byte
Hardware	Substrates	ABF substrate demand has bottomed, with AI GPU/Accelerators as the key growth driver going forward. BT substrate has benefitted from the memory super-cycle and raw material price increases, which drive upward revisions to both demand volumes and ASPs.	**Most Preferred:** Unimicron, SEMCO **Least Preferred:** NYPCB
Hardware	MLCC	MLCC inventory level is lean, and AI server will serve as a key demand driver in 2026	**Most Preferred:** SEMCO **Least Preferred:**
Hardware	iPhone Supply Chain	Apple has recently added roughly 60K N3P wafers at TMSC, implying up to 24M incremental iPhone processors if all were for A19 production - an upside that would materially raise our FY26 iPhone outlook. But we believe part of the increase likely supports M5 ultra chips for Apple's Private Cloud Compute ahead of the Spring 2026 Apple Intelligence/Siri relaunch.	**Most Preferred:** Hon Hai **Least Preferred:**
Hardware	Thermal Solutions	We are encouraged to see ramping liquid cooling component shipments in November and expect the strength to carry into 1Q26. However, the growth magnitude showed a diverse trend from our expectations.	**Most Preferred:** AVC **Least Preferred:** Sunnonwealth
Hardware	China Smartphone	We expect smartphone industry to suffer from component cost increase in 2026. As a result, the smartphone margin is likely to face downward pressure in the coming quarters. For Optical lenses, due to memory cost increase, spec upgrade is likely to face BOM pressure. We expect mid-to-low-end products to face headwinds while high-end products to be better positioned.	**Most Preferred:** Xiaomi **Least Preferred:**
Hardware	Display/TV	TV panel prices appear to be bottoming earlier than expected, improving near-term sentiment, but investors should watch for rising memory costs that may pressure NB panel pricing, as well as the timing and sustainability of any TV panel price increases and the front-loaded shipment profile expected for 2026.	**Most Preferred:** BOE **Least Preferred:** Sanan
Hardware	PC OEMs/ODMs	We expect PC OEMs/ODMs to see margin headwinds from memory price increases in 2026, which will likely lead to multiple quarters of margin compression.	**Most Preferred:** Lenovo **Least Preferred:** Acer

Source: Morgan Stanley Research estimates

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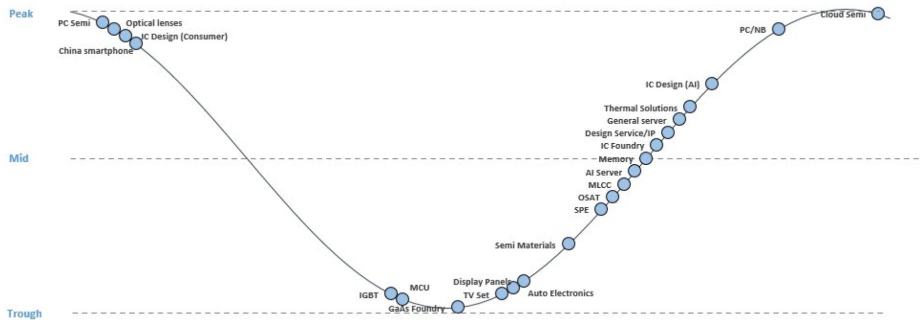
Sequencing the Cycle – First in, First Out



Semiconductors	-		Neutral		+
Memory					
AI semis					
IC Foundry					
Cloud Semis					
Testing & Packaging					
Front-End SPE					
Semi Materials					
Auto Semis					
Smartphone Semis					
PC Semis					

Hardware	-		Neutral		+
AI Server					
Substrates					
General Server					
Networking Equipment					
MLCC					
iPhone Supply Chain					
TFT-LCD					
LED/Optical					
Chinese Smartphone Supply Chain					
PC/NB Hardware					

Source: Morgan Stanley Research

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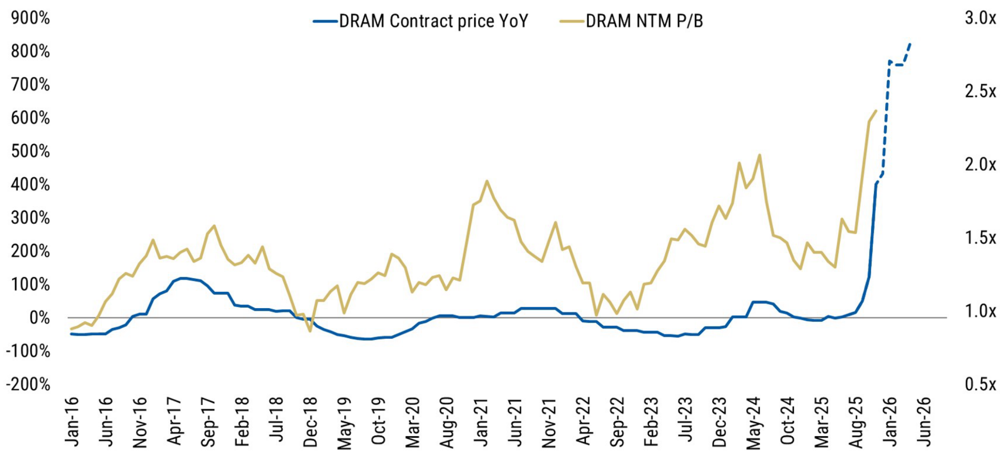
DRAM pricing YoY moving higher into 1H26



Source: Company data, Morgan Stanley Research

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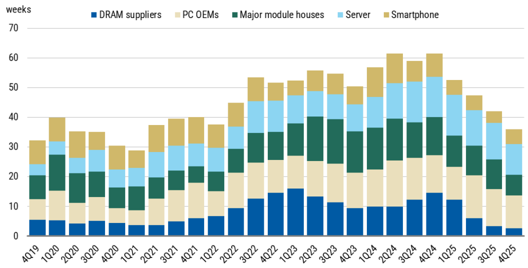
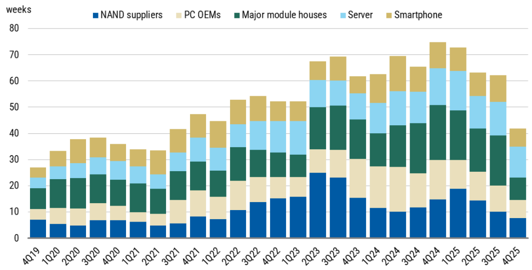
Memory Inventory Normalizing





Source: Company data, Morgan Stanley Research

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HBM TAM

Sufficiency estimates	2023	2024	2025	2026e
HBM TSV Capacity (K wpm)				
Samsung	45	130	150	220
SK Hynix	45	120	150	200
Micron	3	20	60	90
Total	**93**	**270**	**360**	**510**
Yield rate assumptions				
Samsung		*50%*	*60%*	*60%*
SK Hynix		*60%*	*75%*	*70%*
Micron		*50%*	*70%*	*70%*
UTR assumptions				
Samsung		*80%*	*60%*	*70%*
SK Hynix		*100%*	*100%*	*100%*
Micron		*100%*	*100%*	*100%*
Implied HBM production (mn Gb)				
Samsung	1,500	4,435	6,387	9,560
SK Hynix	1,500	6,273	12,830	15,072
Micron	150	729	3,548	6,459
Total	**3,150**	**11,436**	**22,765**	**31,091**
Sufficiency Ratio				
HBM Demand (mn Gb)	1,866	9,059	19,161	30,565
HBM sufficiency	***69%***	***26%***	***19%***	***2%***
Commodity DRAM market demand (mn Gb)	209,527	243,423	291,615	363,968
Total HBM+DRAM demand (mn Gb)	211,393	252,481	310,776	394,533
Commodity DRAM market supply (mn Gb)	200,214	228,086	280,614	332,745
Total HBM+DRAM supply (mn Gb)	203,364	239,523	303,379	363,835
Total DRAM sufficiency	***-4%***	***-5%***	***-2%***	***-8%***

Source: Company data, Morgan Stanley Research estimates (e)

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European Technology

Lee Simpson and Nigel van Putten

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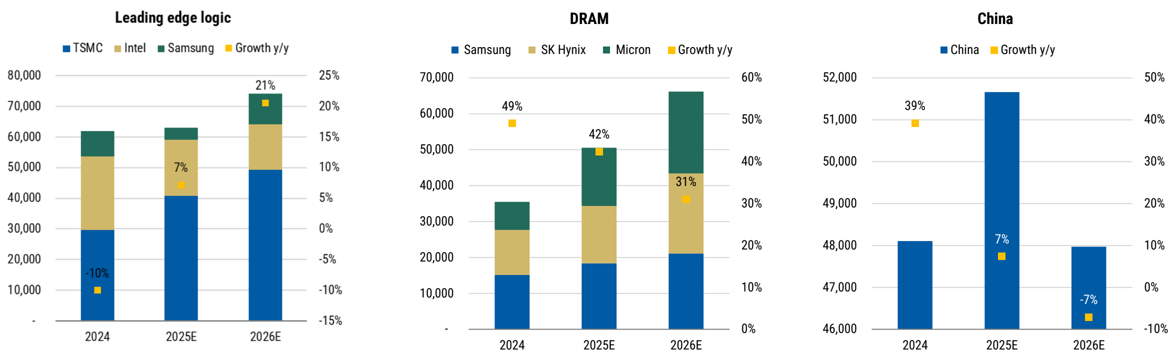
Strong WFE growth driven by leading edge logic/foundry while China remains robust



Source: Company data, Morgan Stanley Research estimates (E)

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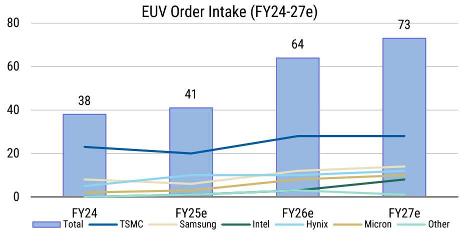
MORGAN STANLEY RESEARCH
European Semiconductors
January, 2026

ASML – Positive momentum for lithography demand

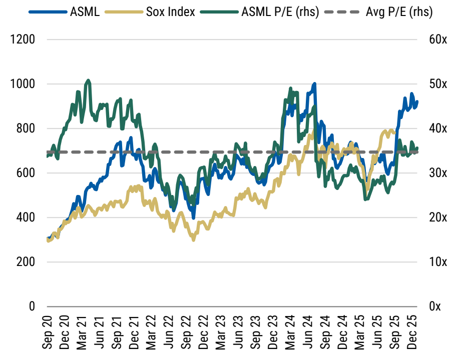
Top Pick

Reuters ticker: ASML.AS *Semiconductor Equipment*	*Analyst: Lee Simpson* *Overweight: PT €1,000* *Close as of 05/01/26: €1053*

Thesis. ASML is a dominant supplier of critical toolsets for the semi manufacturing process. As we exit 2025, we see positive momentum for lithography demand at ASML over FY26/27. DRAM spend is strong, as is the speed in advanced logic. DUV is slowing, including with China, but margins may still be fine in FY26. We recently raised our PT to €1,000, moving ASML to a Top Pick in our European Semi coverage.



Source: Company data, Morgan Stanley Research estimates (e)



Source: FactSet

Valuation

- Base case: €1,000 - 29x FY27 EPS of €34
- Bull case: €1,400 - 35x FY26 EPS of €40
- Bear case: €400 - 20x FY26 EPS of €20

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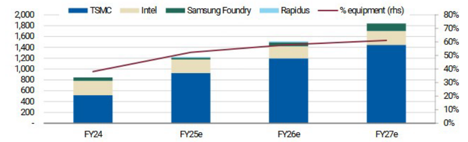
ASM – Highest exposure to advanced logic/foundry

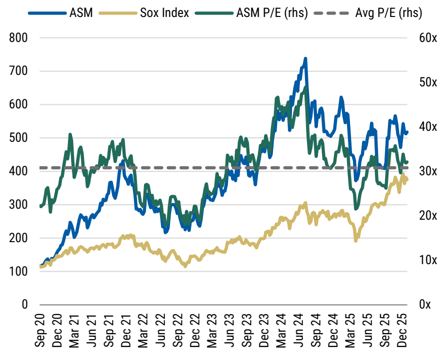
Top Pick

Reuters ticker: ASMI.AS *Semiconductor Equipment*	*Analyst: Nigel van Putten* *Overweight; PT €625* *Close as of 05/01/26: €577*

Thesis. ASMI lagged for much of the last year but as we observe positive developments in leading edge logic we expect the market to start to appreciate stocks with higher exposure, which is why ASMI is a Top Pick in our coverage. Our base case is built on the view that headwinds into 2026 are understood and growth will accelerate into FY27 driven by leading edge logic/foundry and advanced DRAM to support the AI infrastructure roll-out.



Source: Company data, Morgan Stanley Research estimates (e)



Source: FactSet

Valuation

- Base case: €625 - 30x FY27 EPS
- Bull case: €800 - 34x FY27 on 12% higher EPS
- Bear case: €350 - 22x FY27 on 20% lower EPS

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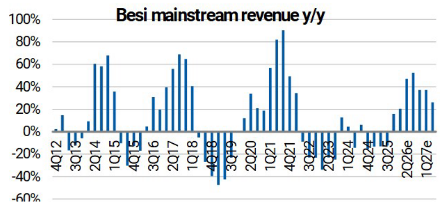
MORGAN STANLEY RESEARCH
European Semiconductors
January, 2026

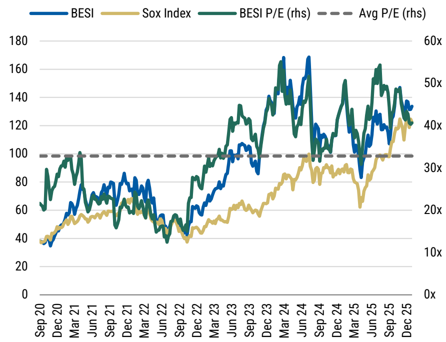
Besi – Strong growth across the board

Reuters ticker: BESI.AS Semiconductor Equipment	Analyst: Nigel van Putten Overweight; PT €160 Close as of 05/01/26: €154

Thesis. Investors are taking note of Besi and not just because of hybrid bonding. Although we expect progress in the next year on this side, the earnings growth is likely to come from the rest of the portfolio. In 2025 AI emerged as a broad-based driver for Besi, and was able to offset weakness elsewhere. We expect strength to continue but this recovery to broaden out resulting in strong growth across the board.



Source: Company data, Morgan Stanley Research estimates (e)



Source: FactSet

Valuation

- Base case: €160 - 32x FY27 EPS
- Bull case: €235 - 40x FY27 EPS
- Bear case: €85 - 25x FY27 on EPS 30% below

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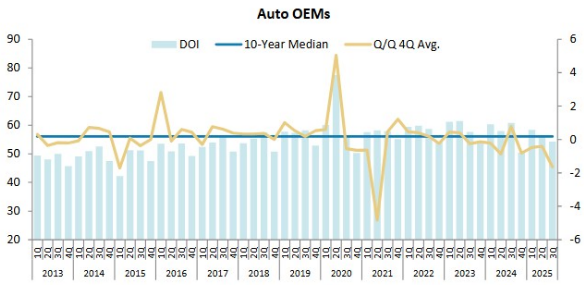
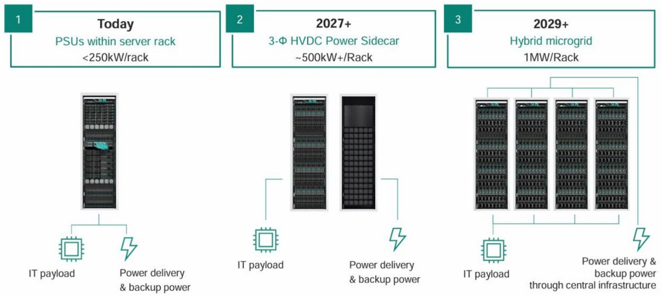
Analog Semis – Weak Autos But Bright Spots In Data Centres

Autos: 3Q25 largest QQ DOI% decline in 5 years – potential for FY26 channel replenishment.



Source: FactSet, Morgan Stanley Research

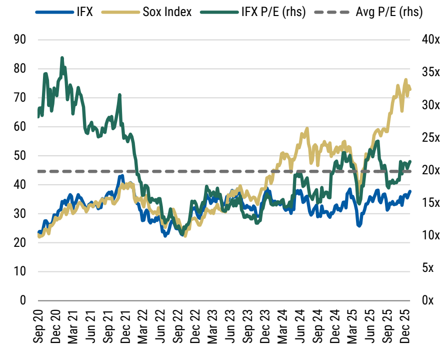
Data Centres: Market intrigue on the power semi content in a power 'sidecar'.



Source: Infineon 3Q25 Investor Presentation

Infineon – Near term de-stocking price difficulties but longer-term data centre tailwinds

Reuters ticker: IFXGn.DE	*Analyst: Lee Simpson*
	Overweight; PT €40
Semiconductor Equipment	*Close as of 05/01/26: €40*



Source: FactSet

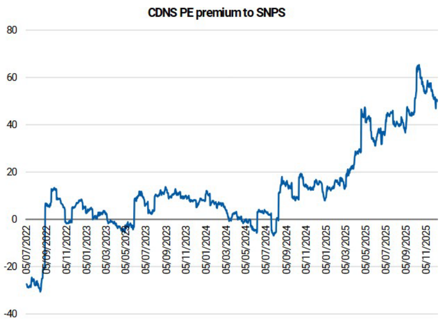
Thesis. An automotive semis cycle blighted by rolling de-stocking price difficulties and skittish end demand is causing concern for the Infineon narrative. And yet much of this is known. The company has already suggested that light vehicle production (LVP) estimates of c.91m (source: S&P) may be too optimistic, especially into 1H26, and a number closer to c.88m is more appropriate - we agree. Longer term, however, there are clear tailwinds in AI data centre spend as well as in grid optimisation. We expect sentiment to 'see-saw' between these cyclical and secular drivers this year but ultimately expect the cycle to turn (modest recovery) and clarity to emerge that IFX is strategic in power semis spend in data centres.

Valuation

- Base case: €40 - 22x FY26 EPS of €1.80
- Bull case: €75 - 25x FY26 EPS of €3.00
- Bear case: €18 - 12x FY26 EPS of €1.50

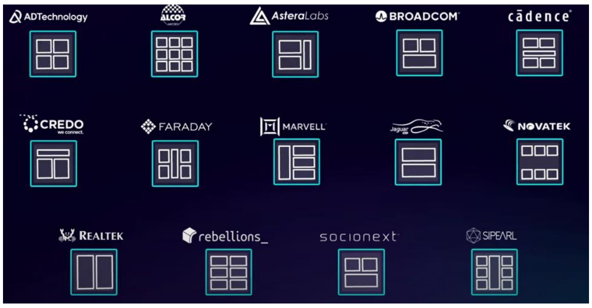
Design & IP – Integration and Chiplets in focus

Market sees CDNS as the EDA winner



Source: FactSet, Morgan Stanley Research

Arm's venture into chip design in focus – Arm Total Design Partners for the Chiplet Ecosystem…



Source: Arm OCP presentation slide

Price Table

Company name	Ticker	Share Price (Local Curr)
Most Favored		
Samsung Electronics	005930.KS	138,100.00
TSMC	2330.TW	1,670.00
Resonac Holdings	4004.T	6,751.00
Advantest	6857.T	21,175.00
ASML Holding NV	ASML.AS	1,053.20
Applied Materials Inc.	AMAT.O	284.32
NAURA Technology Group Co Ltd	002371.SZ	474.51
Advanced Micro-Fabrication Equipment Inc	688012.SS	311.33
SCREEN Holdings	7735.T	16,000.00
ASM International NV	ASMI.AS	576.60
BE Semiconductor Industries NV	BESI.AS	153.75
Infineon Technologies AG	IFXGn.DE	39.91
StarPower Semiconductor Ltd	603290.SS	99.02
Yangjie Technology	300373.SZ	69.60
Espressif Systems	688018.SS	178.30
GigaDevice Semiconductor Beijing Inc	603986.SS	235.68
Aspeed Technology	5274.TWO	7,105.00
Global Unichip Corp	3443.TW	2,320.00
MediaTek	2454.TW	1,525.00
King Yuan Electronics Co Ltd	2449.TW	263.00
Wiwynn Corp	6669.TW	4,540.00
Accton Technology Corporation	2345.TW	1,185.00
King Slide Works Co. Ltd.	2059.TW	3,205.00
Bizlink	3665.TW	1,575.00
Unimicron	3037.TW	230.00
Samsung Electro-Mechanics	009150.KS	270,000.00
Hon Hai Precision	2317.TW	234.50
Asia Vital Components Co. Ltd.	3017.TW	1,450.00
Xiaomi Corp	1810.HK	39.34
BOE Technology	000725.SZ	4.23
UMC	2303.TW	49.20
Lenovo	0992.HK	9.55
Least Favored		
Powerchip Semiconductor Manufacturing Co	6770.TW	43.45
Hangzhou Silan Microelectronics Co. Ltd.	600460.SS	28.72
China Resources Microelectronics Limited	688396.SS	53.89
Sino Wealth Electronic	300327.SZ	29.01
Unigroup Guoxin Microelectronics Co Ltd	002049.SZ	78.81
Novatek	3034.TW	363.00
Nuvoton Technology Corporation	4919.TW	50.80
WPG Holdings	3702.TW	59.50
Advanced Wireless Semiconductor Co	8086.TWO	104.00
Parade Technologies Ltd	4966.TWO	568.00
Realtek Semiconductor	2379.TW	493.50
Elan Microelectronics Corp	2458.TW	116.50
WIN Semiconductors Corp	3105.TWO	183.00
JCET Group Co Ltd	600584.SS	38.36
Giga-Byte Technology Co. Ltd.	2376.TW	248.00
Nan Ya PCB	8046.TW	241.50
Sunonwealth Electric Machine Industry Co	2421.TW	157.00
Sanan Optoelectronics	600703.SS	14.38
Acer Inc.	2353.TW	26.60

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(as of December 31, 2025)

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STOCK RATING CATEGORY	COVERAGE UNIVERSE		INVESTMENT BANKING CLIENTS (IBC)			OTHER MATERIAL INVESTMENT SERVICES CLIENTS (MISC)	
	COUNT	% OF TOTAL	COUNT	% OF TOTAL IBC	% OF RATING CATEGORY	COUNT	% OF TOTAL OTHER MISC
Overweight/Buy	1519	41%	415	48%	27%	674	42%
Equal-weight/Hold	1583	43%	362	42%	23%	720	45%
Not-Rated/Hold	4	0%	1	0%	25%	1	0%
Underweight/Sell	564	15%	87	10%	15%	216	13%
TOTAL	3,670		865			1611	

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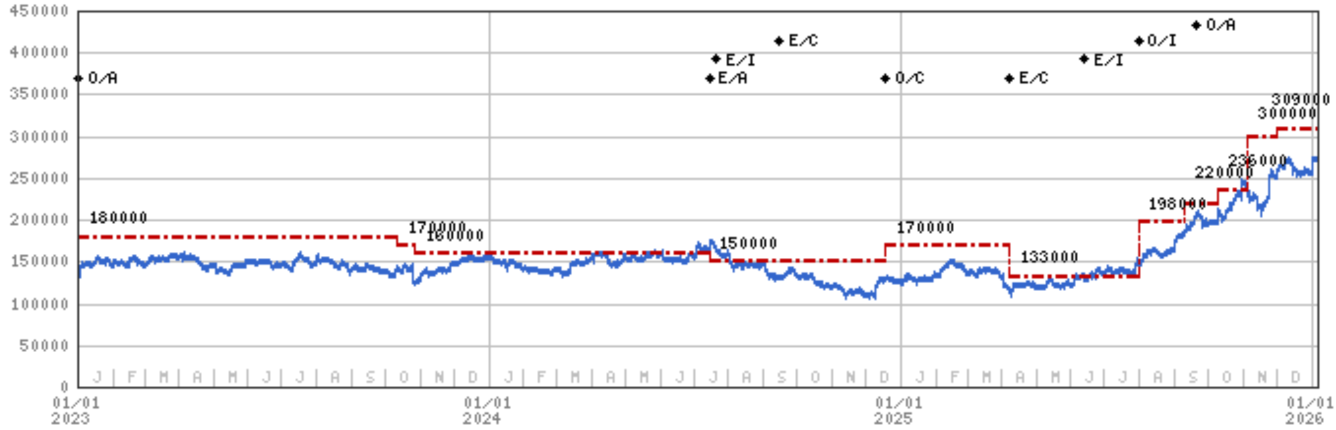


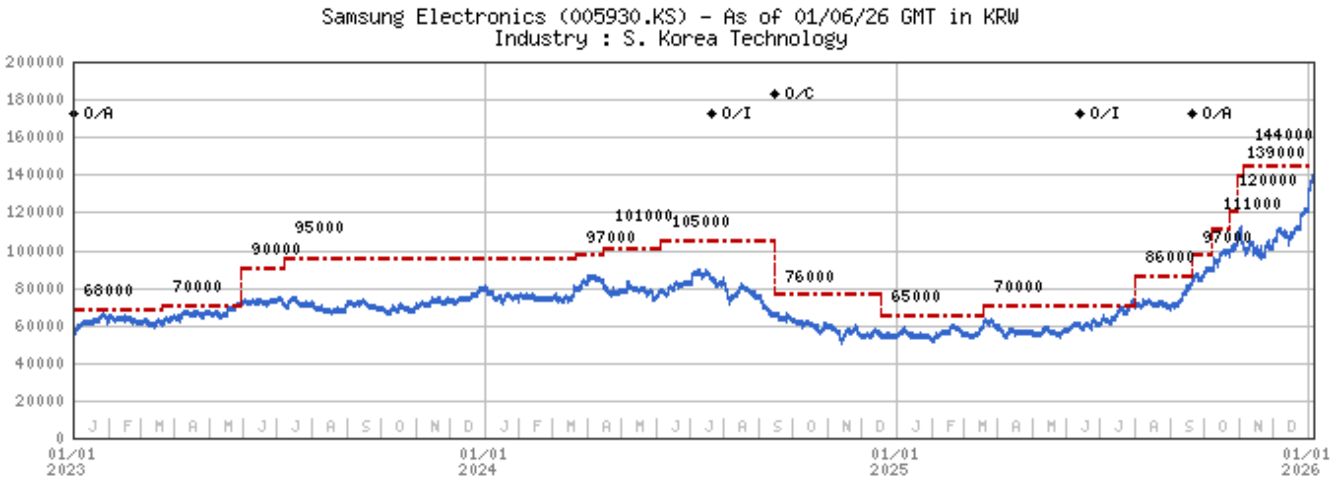
Stock Rating History: 1/1/21 : O/A; 5/12/21 : E/A; 7/19/21 : E/I; 8/12/21 : E/C; 6/1/22 : U/C; 10/4/22 : U/A; 11/9/22 : O/A; 7/15/24 : E/A; 7/21/24 : E/I; 9/15/24 : E/C; 12/18/24 : O/C; 4/7/25 : E/C; 6/13/25 : E/I; 7/31/25 : O/I; 9/21/25 : O/A

Price Target History: 12/1/20 : 180000; 1/19/21 : 240000; 3/1/21 : 250000; 5/12/21 : 180000; 10/19/21 : 170000; 10/27/21 : 160000; 1/24/22 : 180000; 3/18/22 : 170000; 6/1/22 : 140000; 11/9/22 : 180000; 10/11/23 : 170000; 10/27/23 : 160000; 7/15/24 : 150000; 12/18/24 : 170000; 4/7/25 : 133000; 7/31/25 : 198000; 9/10/25 : 220000; 10/10/25 : 236000; 11/5/25 : 300000; 12/1/25 : 309000

Source: Morgan Stanley Research   Date Format : MM/DD/YY   Price Target   No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst)   Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.



Stock Rating History: 1/1/21 : O/A; 7/19/21 : O/I; 8/12/21 : O/C; 10/4/22 : O/A; 7/21/24 : O/I; 9/15/24 : O/C; 6/13/25 : O/I; 9/21/25 : O/A

Price Target History: 11/27/20 : 88000; 1/12/21 : 110000; 2/25/21 : 115000; 5/18/21 : 93000; 6/8/21 : 98000; 8/12/21 : 89000; 9/15/21 : 95000; 12/3/21 : 97000; 3/18/22 : 95000; 4/28/22 : 85000; 6/10/22 : 80000; 7/5/22 : 75000; 7/22/22 : 70000; 9/17/22 : 68000; 3/21/23 : 70000; 5/30/23 : 90000; 7/7/23 : 95000; 3/22/24 : 97000; 4/16/24 : 101000; 6/6/24 : 105000; 9/15/24 : 76000; 12/18/24 : 65000; 3/19/25 : 70000; 8/1/25 : 86000; 9/21/25 : 97000; 10/8/25 : 111000; 10/23/25 : 120000; 10/30/25 : 139000; 11/5/25 : 144000

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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