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J.P.Morgan

US Hardware / Semiconductors Sector Specialist Commentary  
Hardware • Semiconductors

## LITE Commentary, Anthropic Custom ASIC & Training, VAR Channel Checks, INTC/GOOGL Collab, TSM Revenues

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**TODAY @ 9AM ET** Samik Chatterjee recaps his **Pre-Quiet Period Checks** with ANET, APH, AXON, CALX, CDW, FFIV, FLEX, GLW, HPE, LOGI, MSI, NSIT, QCOM, TEL, TER & XRX. Quick 30 min call at 9am. Register [here](#).

On **Monday at 8am ET**, Gokul Hariharan hosts a call to provide context around the **increase in CoWoS volumes** in his recent model update. Register [here](#).

On Monday I sent my **Buyside Survey of Analog & Connectors**. I'll resend later today, and look to close the survey on Tuesday. Your quality inputs help make this a successful indicator of buyside expectations, and to position for surprises. *I greatly appreciate your participation.*

Also a quick flag that **TODAY IS THE 1X1 DEADLINE FOR our Flagship Tech Media & Communications Conference in Boston's** Seaport on May 18~20. Check in with your generalist sales if you haven't submitted your requests. ***I'm also taking interest for a Hardware/Semis Investor Dinner I'm hosting on Sunday, May 17;*** let me know if you want a seat!

**Lots of folks today asking about LITE CEO Mike Hurlston's bullish demand commentary** in Tokyo (I included a link to the article below). I don't think anyone we talk to doubts what Mike is saying, and shortages for EML are real – and we are still hearing from potentially incremental buyers. That said, my sense from conversations in NY is that folks are increasingly uncomfortable with the big moves we've seen in the sector, and feedback yesterday on Samik's note is that the buyside is already well ahead of our \$36+ blue-sky for F28, with some folks also expressing concern about noise on incremental sources of supply (a real point of controversy – and to be clear, Samik is bullish, and less concerned about Chinese capacity, competing light sources, blah blah blah). Across our prime book positioning has swing pretty neutral on laser names.

Yesterday amc, [Reuters reported](#) that **Anthropic is exploring the possibility of designing its own custom AI ASIC**. It sounds like there are no specifics, and it's still in the exploration stage. Indeed, neither Harlan nor Gokul see anything in the supply chain to suggest such a chip is happening. There was chatter last year, but nothing came of it, and then the GOOGL TPU partnership hit. Harlan sees nothing in AVGO or MRVL supply design pipelines (unlike for OpenAI, where there's lots of activity on the second-gen OpenAI ASIC). Gokul notes that Anthropic did started hiring some hardware folks – include from META and a fairly senior hire from Tenstorrent; but sounds like it's still early. My conversations yesterday reveal an expectation that the natural port of call for any Anthropic project would be AVGO given the existing TPU relationship.

Also in that vein, **we're all getting lots of questions on whether Anthropic's 10T parameter Mythos was trained on NVL72s.** With NVDA signing with Anthropic only last November, the timelines don't *seem* to match up; but in a lot of my conversations it sounds like consensus is that it's an NVL72 model. Harlan, Gokul, Brend and I are all keeping a close eye on this, and appreciate any insight that any of y'all have...

And yesterday **INTC & GOOGL announced a "multi-year collaboration on AI computing,"** with Intel Xeon processors "to continue powering Google Cloud infrastructure across AI, inference and general-purpose workloads," and promising expanded co-development of custom ASIC-based infrastructure processing units (IPUs) to improve efficiency, utilization and performance at scale... The deal is for C4/N4 CPU workloads for CPU and Smart-NIC/DPU ASIC (IPUs), and to us (and most people I spoke with yesterday), this really just looks like an extension of existing/historic cooperation on Google Cloud CPU instances and on networking. Not bad, but also *left a number of folks wondering why it needed a press release.*

## Calls & Events

- On **Friday @ 9:30am ET** Samik Chatterjee hosts **CSCO Head of Investor Relations & Strategic Finance Sami Badri** for a **pre quiet period catch-up**. Register [here](#).
- On **Monday at 8am ET**, Gokul Hariharan hosts a call to provide context around the **increase in CoWoS volumes** in his recent model update. Register [here](#).
- We are hosting a **small group lunch with Harlan Sur** to pre-game 1Q Semi/SPE results on **Tuesday April 14**. Hit me up if you want to request a spot.
- At 7:30am ET Monday 4/20: We bring together Gokul, Harlan and Sandeep in a one hour call moderated by Scott Silver to discuss **the "Global Ripple Effects" of TSMC then-fresh F1Q results**. This should be really super. *There will be no replay (but you should dial in just to see Harlan up at 4:30am ...)*. Register [here](#).
- On **May 4 at 9pm ET** Jerry Tsai hosts **Director Victor Hsu of Unimicron** for a group call. And on **May 15 at 9am** he hosts **Isaac Chen, Chairman of Silergy**. Register for either/both [here](#).

## Key Highlights

### Hardware & Networking: Notes from Samik's call with Large US VAR WWT. [Here](#)

Samik held his quarterly check-in with one of his favorite VAR contacts, World Wide Technology VP and CTO Cloud, Infrastructure, and AI Solutions Neil Anderson. The replay is [here](#), and my bullets follow.

- **Checks: Q1 demand running ~2x typical growth, AI business nearly doubling quarterly.** *Strength is broad-based across data center, networking, and hyperscaler revenues, with some pricing-related pull-forward skewing demand to 1H, though the full-year outlook remains intact and the VAR expects to exceed its annual model.*
- **Unprecedented OEM pricing volatility, with weekly/daily repricing now standard.** Quote validity windows have collapsed from 30–90 days to as little as one week, OEMs are repricing up to ship date, and at least one OEM has pulled

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deal registration entirely — creating meaningful margin compression risk across the value chain; *notably, customers are not canceling orders but absorbing higher costs*, with memory chips the primary supply constraint hitting servers and storage hardest.

- **CSCO - Standout across AI servers, data center networking, and security.** Neil flagged CSCO gaining momentum via its Secure AI Factory (NVDA partnership) as enterprises prefer OEM-embedded GPU servers over Nvidia-native deployments; Cisco is also in a three-way race with NVDA & ANET in AI data center networking, its security portfolio is growing multiple tens of percent YoY via the "Armor" AI security framework, and Splunk is being repositioned as a telemetry/data lake foundation across Cisco's AI stack.
- **Storage demand seems inelastic to price increases. Dell, NetApp, and Pure Storage are leading enterprise.** All three are growing multiple tens of % YoY in the enterprise, with PSTG called out as a standout again, while the NeoCloud storage vendor landscape is described as more diverse.
- **HPE Mist AI winning campus share from Cisco.** Neil now sees HPE/JNPR actively displacing Cisco campus estates on the basis of Mist AI's simplicity and operational advantages, while managed services demand is also growing, particularly among smaller enterprises where IT is not a core competency.

And though he doesn't like to pay attention to monthly numbers, [Gokul Hariharan dutifully recaps the statutorily required TSMC monthly revenue release](#) after Taiwan market close today. 1Q26 beat the high-end of guidance, and Gokul reiterates an expectation that margins will likely upside the 63–65% guide on AI-led demand plus tight N3/N5/CoWoS capacity and expedited-wafer mix, setting up a likely constructive 2Q26 guide (6–8% QoQ, 64–66% GM) into the Apr 16 call.

## News & Reads

- **Nvidia-Backed Lumentum Sees AI Filling Orders Through 2028.** *Lumentum, which received a \$2 billion investment and a multibillion-dollar purchase commitment from Nvidia in early March, says AI-driven demand from US hyperscalers has fully booked its order pipeline through 2028 — and it's still struggling to keep up: "The capex numbers from the US hyperscalers are enormous and there seems to be no end in sight," Chief Executive Officer Michael Hurlston said in an interview in Tokyo Friday. "We're falling further and further behind the demand. We would be sold out though all of 2028 within two quarters" - [Bloomberg](#)*
- **Anthropic Considers Designing Its Own AI Chips Amid Supply Shortages.** *Anthropic is exploring the possibility of designing its own AI chips, though plans remain in early stages and the company has not committed to a specific design or team; demand for its Claude model has accelerated, with run-rate revenue surpassing \$30 billion in 2026, up from \$9 billion at the end of 2025 - [Reuters](#)*
- **SK Hynix M15X reportedly ramps early production.** *SK Hynix's M15X is widely viewed as the company's next-generation DRAM manufacturing hub in Cheongju, South Korea. Designed primarily to support high-bandwidth memory (HBM) output and advanced 1b DRAM production, the facility is built for AI-era workloads. Its exact status remains partially unconfirmed, but recent media reports point to early production activity and faster-than-expected equipment installation - [Digitimes](#)*
- **Amazon CEO Presses His Case for Big AI Spending.** *Jassy's central argument is that Amazon's \$200B capex plan for 2026 is backed by hard customer commitments — including a \$100B+ deal with OpenAI — and that AI represents a once-in-a-*

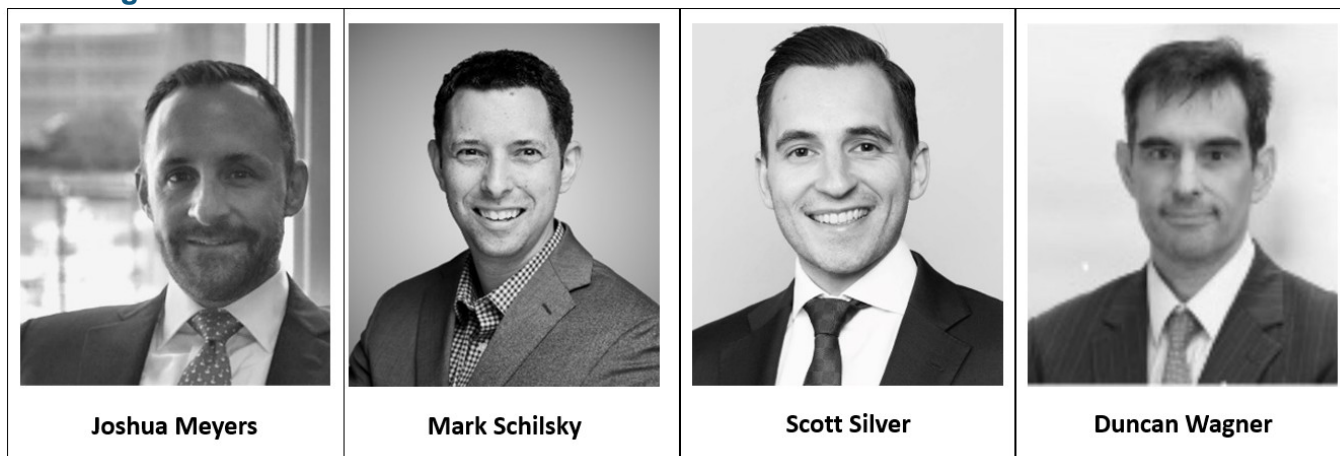
generation opportunity the company intends to lead, not approach cautiously. He also disclosed that AWS AI revenue has hit a \$15B annual run rate and Amazon's custom chip business (Graviton, Trainium, Nitro) is generating over \$20B annually, growing at triple-digit rates — framing the capex drag on free cash flow as a deliberate, long-term bet - [The Wall Street Journal](#)

- **OpenAI Highlights Massive Compute Advantage Over Anthropic to Investors.** OpenAI sent investors a memo arguing that compute scale is now the decisive competitive advantage, claiming its capacity ramp (reaching 1.9GW in 2025, targeting 30GW by 2030) is materially ahead of Anthropic's and widening. - [Tae Kim Blog](#)

## JPM Global Hardware/Semis Research

- **Hardware & Networking** - PC Market Tracker: Y/Y Growth in Units Despite Deceleration in 1Q26; Dell and Apple Gain Share. [here](#)
- **Hardware & Networking** -Channel Talk: Takeaways from a Discussion with a Large U.S. VAR on Enterprise Spending and OEM Trends. [here](#)
- **Nutanix** -Investor Day 2026 Review: Detailed Long Term Guide With Limited Near Term Visibility; Downgrade to Neutral. [here](#)
- **J.P. Morgan Taiwan FTM 10 Apr 26** -Delta Electronics, Inc.; TSMC and More. [here](#)
- **Asian Semis** - February WSTS data: AI Semis and Memory deliver strongest YoY revenue growth. [here](#)
- **Delta Electronics** -Parent-co March revenue in-line; favorable Thailand mix to drive Q/Q growth in 1Q26. [here](#)

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