



CIO maintains their positive view on AI and believes the technology will continue to drive growth in the years ahead. (UBS)

# Tech volatility may increase as US export controls take shape

11 November 2024, 2:01 pm CET, written by UBS Editorial Team US Editorial Team

**The US has reportedly ordered Taiwan Semiconductor Manufacturing Co to halt shipments of advanced chips used in artificial intelligence (AI) applications to mainland Chinese customers starting Monday. According to a Reuters report, the restrictions detailed in a Department of Commerce letter apply to chips of 7 nanometers or more advanced designs. TSMC shares traded 0.5% lower in Taipei on Monday.**

The US order came just days after the conclusion of the US presidential election, with markets having anticipated some form of chip-related export controls in the fourth quarter. The US Department of Commerce introduced such restrictions in October 2022, with plans to review them at least every 12 months. Back then, similar letters were sent to NVIDIA, AMD, and equipment makers to restrict their ability to export top AI-related chips to mainland China, and the restrictions in those letters were later turned into rules that apply to companies beyond them.

Volatility in the broader semiconductor sector is likely to pick up as more details on the latest round of export controls emerge, while potential tariffs during President-elect Donald Trump's second term could create additional headwinds. But, without taking any single-stock views, we continue to believe solid fundamentals should provide support for quality semi names with exposure to the AI growth story.

Investors are likely to refocus on fundamentals once uncertainty is removed. In both 2022 and 2023, semiconductor-related names experienced sharp corrections in October due to uncertainty around export controls, with the Philadelphia Semiconductor Index falling around 15-20% from peak to trough. However, chip stocks rebounded over the next few months as the impact appeared manageable. While the broader implications of the latest restrictions remain unclear at this stage, we believe investors will look beyond the headlines and assess the company-specific impact when details become available.

**Big tech's commitment to AI spending should continue to support semi names exposed to the secular AI trend.**

Recent earnings from big tech companies continue to underscore their willingness to invest in the technology. We now expect their combined spending to grow 50% this year to USD 222bn and another 20% to USD 267bn in 2025. Assuming peak capital intensity (capex divided by sales) for each company, the combined capex could potentially reach USD 280bn, highlighting further upside to our estimates. The biggest beneficiaries of big tech's robust AI spending, in our view, are companies exposed to AI semis, especially in areas like graphics processing units (GPUs), custom chips, and high bandwidth memory.

**AI demand remains robust as adoption and monetization pick up.** In addition to continued investment in AI infrastructure, recent tech earnings also showed accelerating cloud revenue growth that points to an uptick in AI monetization. Management comments also suggested increasing AI adoption and efficiency gains across industries. We maintain our positive view on AI and believe the technology will continue to drive growth in the years ahead.

So, investors should be prepared for heightened volatility. Those with low AI exposure may utilize structured strategies to build up long-term allocations, while investors with high exposure may consider capital preservation strategies.

Main contributors – Solita Marcelli, Mark Haefele, Sundeep Gantori, Daisy Tseng

Original report - [Tech volatility may increase as US export controls take shape, 11 November 2024.](#)

**The document and the information contained herein is intended for UBS internal use only and solely for the UBS employee to whom it was provided.** It may in no circumstances be distributed outside of UBS. Information contained in this document has not been tailored to the specific needs, investment objectives, personal and financial circumstances of a client or any other recipient outside of UBS. This document shall not be construed to include any legal or tax advice, investment research, sales prospectus, an offer or a solicitation of an offer to enter in any investment activity. Neither UBS nor its directors, employees or agents accept any liability for any loss or damage arising out of the use of all or any part of this document. For further information, please contact the document owner.

**Important information**

As a firm providing wealth management services to clients, UBS Financial Services, Inc is registered with the U.S. Securities and Exchange Commission (SEC) as an investment adviser and a broker-dealer, offering both investment advisory and brokerage services. Advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate contracts. It is important that you carefully read the agreements and disclosures UBS provides to you about the products or services offered. For more information, please visit our website at [www.ubs.com/workingwithus](http://www.ubs.com/workingwithus).

© UBS 2024. All rights reserved. UBS Financial Services Inc. is a subsidiary of UBS AG. Member FINRA/SIPC.

There are two sources of UBS research. Reports from the first source, UBS CIO Global Wealth Management, are designed for individual investors and are produced by UBS Global Wealth Management (which includes UBS Financial Services Inc. and UBS International Inc.). The second research source is UBS Group Research, whose primary business focus is institutional investors. The two sources operate independently and may therefore have different recommendations. The various research content provided does not take into account the unique investment objectives, financial situation or particular needs of any specific individual investor. If you have any questions, please consult your Financial Advisor. UBS Financial Services Inc. is a subsidiary of UBS AG and an affiliate of UBS International Inc.