Investment Roundup

7 July 2026

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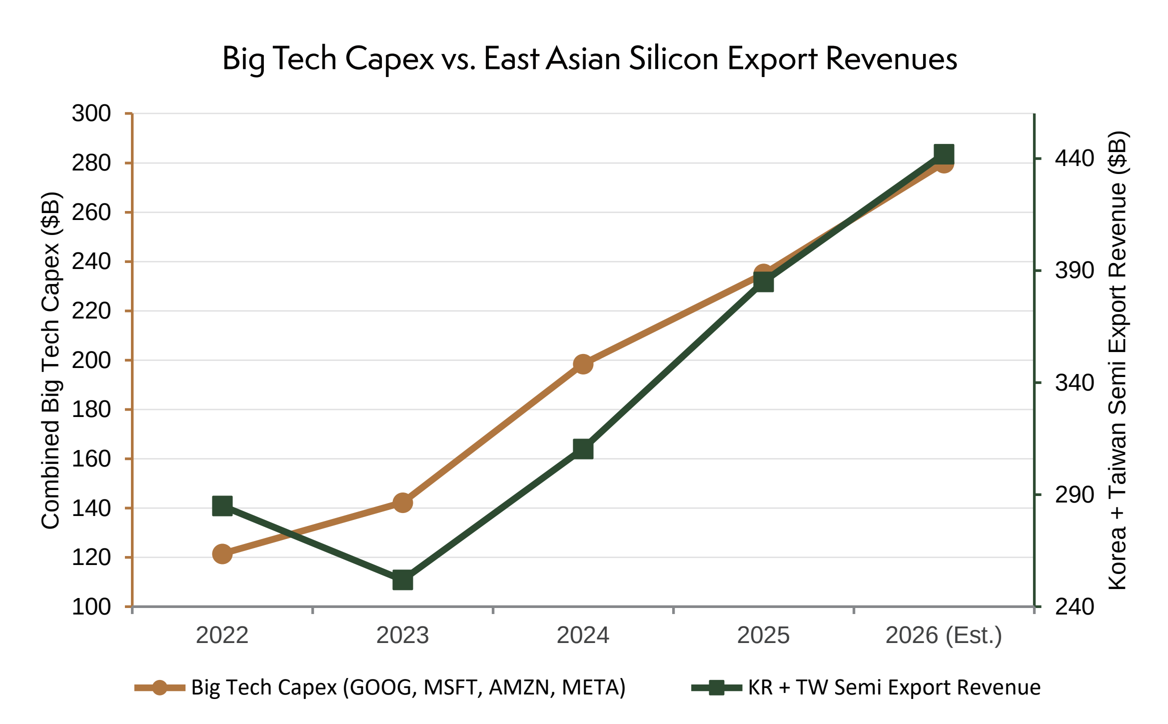
Today, we will be examining the hard data beneath the current AI Supercycle to look at where the capital is flowing and in particular, whether this is a structural change and is the trend here to stay?

Some investors believe that the semiconductor equipment sector is bound by its historical cyclical trends. However, we believe the industry is currently witnessing a structural expansion, especially in Wafer Fab Equipment (WFE) driven by the AI Supercycle.



Source: Company filings; Bloomberg L.P.

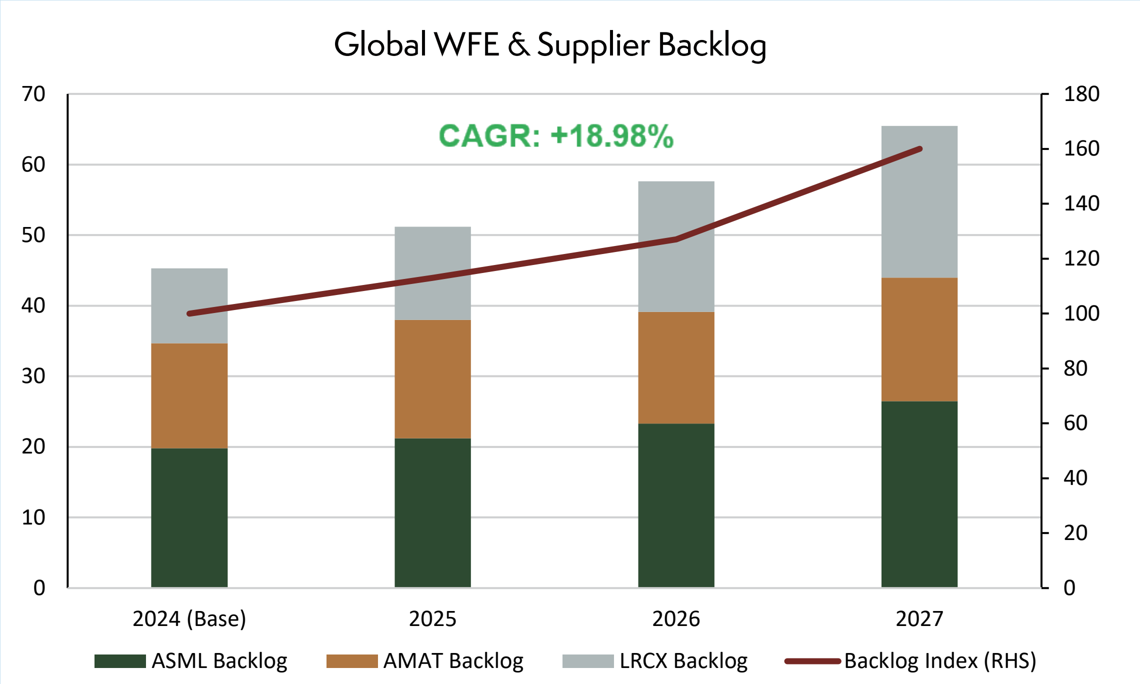
Based on the available data, this Supercycle is being backed by robust macro fundamentals and fully filled corporate order backlogs.

Historically, matching upstream hardware demand with downstream capex usage was tricky.

But evidently, the combined capital expenditure of Google, Microsoft, Amazon, and Meta tracks South Korea and Taiwan's semiconductor export revenues almost perfectly, boasting correlation above 90%. We saw a brief divergence in 2023 when legacy memory inventories fell, but the trend has resumed back in line with uptick in AI CAPEX expenditure for the past 2-3 years.

Hyperscaler AI capex is currently the most powerful leading indicator for East Asian chip shipments. The biggest risk to this trade is a sudden capex cut by these top hyperscalers, but currently their spending shows no signs of deceleration and is even expected to continue to grow.

Next, we follow that capital directly into the Wafer Fabrication Equipment market. Over the period from 2024 to 2027, the Global WFE market is forecasted to scale with Compound Annual Growth Rate of 18.98% (CAGR).



Source: Bloomberg L.P.; SEMI.Org

Traditionally, for a heavy industrial hardware sector, a 19% CAGR is unusually high. This signals to us that WFE is no longer behaving like a cyclical industrial sector; it is being repriced into a secular technology growth trend.

The Top-3 equipment vendors backlog index is climbing perfectly in tandem with market growth %, moving from a baseline of 100 (in 2024) up to ~160 (2027). This confirms that the multi-year revenue expansion is heavily supported by actual, contracted structural demand and not speculative estimates.

Current AI Scorecard

Thesis Pillar	Wafer Fabrication Equipment (WFE)	Checklist	Current Signal (1-5)
1. Hyperscaler AI Capex	Big Tech cloud spending (~$250B+) translate directly to the procurement of high-margin wafer fabrication equipment and memory.	Hyperscaler monetization metrics (ROI) and any sudden down-revisions to infrastructure CAPEX guidance.	Strong Bullish (CAPEX Accelerating, Revenues resilient): 4
2. Semiconductor Exports	Shipments out of Taiwan and South Korea force TSMC, Samsung, and SK Hynix to expand factory space and buy new equipment toolsets.	Monthly export data out of Taiwan and South Korea continues at record levels, heavily driven by spikes in advanced AI accelerators and High-Bandwidth Memory (HBM).	Strong Bullish (Export data at record highs): 4.5
3. Manufacturing PMI	Baseline health of consumer/industrial tech keeps factory utilization high for WFE tools.	Watch if new Orders sub-index reverses below 50, which will indicate potential chip oversupply.	Neutral (Hovering 50.5-51.5): 2.5
4. Memory Pricing & Supply	Advanced HBM memory requires 2x to 3x more process steps, multiplying tool utilization rates for equipment use.	HBM4 manufacturing yield rates and memory-maker capex rebounds leading to order backlogging.	Bullish (Huge order backlog): 3.5
5. AI Infrastructure Bottlenecks	Physical limits on silicon force chiplet architectures, opening a multi-billion dollar market for specialized packaging and metrology tools.	Monitor capacity increases and early commercial orders for silicon photonics equipment.	Strong Bullish (Increasing): 4

Source: Various company Q1 earnings 2026; South Korea Ministry of Trade, Industry and Energy (MOTIE) – 2026; Institute for Supply Management (ISM) – June 2026

To help us track and monitor this trend dynamically, we have quantified this into a scorecard with five distinct points.

- 1. Hyperscaler AI Capex. Hyperscaler capex is tracking above 400 billion dollars, most translating directly/indirectly into high-margin WFE tools. To monitor this, we are watching cloud monetization metrics (ROI) and keeping a close eye out for any downward CAPEX guidance revisions.

- 2. Semiconductor Exports. Monthly export data out of Taiwan and South Korea are sitting at record highs, driven by price-insensitive demand for AI accelerators and High-Bandwidth Memory (HBM). TSMC, Samsung, and SK Hynix are forced to continue to ramp up production and purchase new toolsets just to keep up with current orders.

- 3. Manufacturing PMI. While AI is booming, the broader consumer and industrial electronics baseline is hovering modestly between 50.5 and 51.5. We are watching the New Orders sub-index here; if it drops below 50, it warns us of potential oversupply and potential slowdown.

- 4. Memory Pricing and Supply. Advanced HBM memory requires 2 to 3 times more process steps than traditional memory; thus multiplying tool utilization rates moving forward. Massive order backlogs protect this segment, our key metrics to watch next are HBM4 manufacturing yield rates and memory-maker capex adjustments.

- 5. AI Infrastructure Bottlenecks. Physical limits on traditional silicon scaling are forcing chip designers to adopt chip architectures. This opens a new market for advanced packaging, wafer bonding, and optical metrology tools. We are tracking packaging capacity increases and commercial orders for silicon photonics equipments.

The fundamental correlation between Big Tech spending and hardware manufacturing output remains strong. Supported by a nearly 19% revenue CAGR and visible vendor backlogs.

The macro environment and scorecard data continue to point towards a healthy and well-supported trend. Visible order demand through to 2027 also provides a cushion for any near-term volatility in the market.