

# Trump 2.0

TSMC's quarterly profit jumped 36% in the 2nd quarter of 2024 to USD7.6b, buoyed by generative AI products. 2nd quarter revenues rose 32% to USD20.82b. According to management, they expect 3rd quarter revenue to jump to USD23.2b, supported by strong smartphone and AI-related demand (consensus forward PE is 26X. Source: Yahoo Finance).

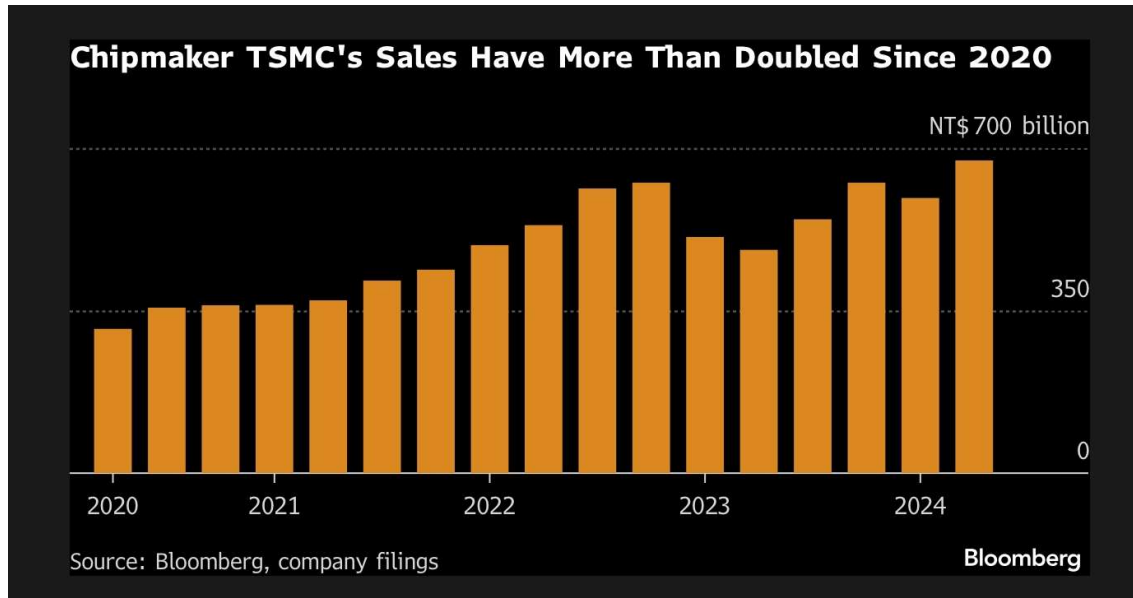


Chart: TSMC's revenue

With such strong reported earnings, one would expect the tech sector to continue its strong momentum but no one expected Trump to announce that he is at best lukewarm about defending Taiwan against China's aggression post TSMC's results.

The world and businesses will go on, but risk premium will rise for now with Trump's rhetoric. While we believe that S&P500 will range bound till the US Presidential election, opportunities exist but we need to diversify into non-tech US stocks with unique strength and preferably domestic centric. After all, US markets are generally down 3 months prior to US election. We will raise our cash level for now to be defensive and avoid anything that Trump threatens to impose a substantial import tax. We believe AI related stocks will still be winners after looking at TSMC's results but will wait for the dusk to settle from Trump's rhetoric. After all, tech valuations at high 20x are not excessive. We will look for champions on their own right.