

# [***AI Winners Likely To Buoy Taiwan Stocks After Heated Election On One Condition***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6B47-T2V1-DXVP-501K-00000-00&context=1516831)

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**Length:** 1018 words

**Byline:** Russell Flannery, Forbes Staff

**Highlight:** In the absence of a hot war with mainland China, profit at tech companies looks promising in 2024

**Body**

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Taiwan Semiconductor Manufacturing Co., better known as TSMC, is one of the world's largest makers of semiconductors. (AP Photo/Chiang Ying-ying)

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Beijing, having failed to sway Taiwan voters to China-friendly candidates with military displays and heated rhetoric in a high-stakes presidential election on Saturday, scored a win yesterday when the Pacific island nation of Naura switched recognition to the mainland from Taipei. China claims sovereignty over Taiwan, a key supplier semiconductors and gadgets to global giants ranging from Apple to Nvidia, and Naura s move lowered the number of countries with diplomatic ties to the self-governing tech hub of 23 million people to a mere dozen.

Nevertheless, China s limited reaction to the vote, combined with election results that were largely in line with expectations, suggests Taiwan stocks may be poised to advance, particularly its suppliers of chips tied to AI, investment analysts said.

Short of war a big condition, corporate earnings at technology companies will mostly likely determine the performance of Taiwan shares in the coming year, says Jeff Chang, a strategist in Taipei at KGI, one of largest local brokerages. It s (about) the tech cycle, he said in a telephone interview.

And the way he sees it, the outlook is good. Technology companies account for as much as 70% of the market capitalization of Taiwan-traded shares, and as a group, are likely to enjoy profit growth of more than 20% this year, Chang said. Globally, the technology industry is an upswing as customers such as Amazon buy servers to host new AI applications, and ***politics*** surrounding relations between the mainland and Taiwan are more likely to be a longer-term influence on business than short-term, he said. During the election campaign over the past year amid mainland efforts to influence the vote, Taiwan s main stock index rose by more than a fifth, Chang noted.

Taiwan Vice President Lai Chin-te, a Harvard-educated physician who has been blasted by China as a separatist, won with 40% of the vote, in line with pre-election polls and left Lai s Democratic Progressive Party, or DPP, in the presidency. The DPP notably lost its majority of seats in Taiwan s legislature, suggesting a period of compromise with other parties. Yet overall, Taiwan s policies toward the mainland as well as close ties Washington aren t likely to change anytime soon.

There is nothing to suggest that China should be dialing up the aggression against Taiwan, said Peter Kurz, chief strategy officer at Taipei-based investment advisory firm QIC International.

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Taiwanese Vice President Lai Ching-te, also known as William Lai, left, celebrates his victory with running mate Bi-khim Hsiao in Taipei, Taiwan, on Saturday, Jan. 13, 2024. Lai Ching-te emerged victorious in Taiwan s presidential election on Saturday. (AP Photo/Louise Delmotte)

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American Chamber of Commerce in China Chairman Sean Stein, a former long-time U.S. diplomat, said yesterday Beijing had responded calmly and given no indication that it will change its approach or policy. The pragmatic wait-and-see attitude is good for stability and business. In the election run-up last week, high-level U.S. and China representatives kept in close contact. Liu Jianchao, Minister of the Communist Party Central Committee s International Department met with U.S. Secretary of State Antony Blinken in Washington, where Taiwan was discussed; he also addressed the Council on Foreign Relations in New York during his visit.

Change in Taiwan government policies toward the technology industry in the wake of the election also isn t likely. You have business as usual between government and business to support the technology industry, said Tri-Orient Investments Vice President Dan Nystedt in Taipei.

Taiwan main stock index edged higher on Monday, though it slid by 1.1% today. Chip industry heavyweight Taiwan Semiconductor Manufacturing, or TSMC, lost 1% to NT$580 today, yet should continue to do well as a key supplier to the likes of Nvidia and AMD due in part its experience with technology used with graphic chips that underpin AI-related applications, Nystedt said.

QIC s Kurz highlighted a group of semiconductor design houses and providers of intellectual property to chip designers that are benefitting from fast AI growth. They include Faraday Technology, a 13%-owned affiliate of United Microelectronics, whose shares have more than doubled in the past year and gained 4% today. Global Unichip, which is 35% owned by TSMC, has soared 150% during that time. Other recent gainers among the group to collectively add billions of dollars to their market capitalization in the past year include eMemory and APmemory.

Growing demand for AI chips will give a boost to Taiwan companies that provide advanced packaging services once chips are sliced off of silicon wafers. Beneficiaries will include Winbond Electronics, ASE Technology and Powertech Technology, Nystedt said.

Beyond long-term relations with the mainland, a topic of importance to Taiwan s tech industry that involves the incoming legislature following Lai s election may be energy policy. Taiwan is facing large increases in demand due to new factory construction and data center creation. Where is all of that energy going to come from? Nysted asked.

Energy needs, however, aren t likely to hurt Taiwan s appeal to internationally minded stock investors for now. When it comes to AI, you ve got a lot of interesting things going on in Taiwan, Nysted noted.

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