J.P. Morgan Research

Q1 2026 Global Semiconductor Outlook

Supply normalization and AI demand drivers

February 11, 2026

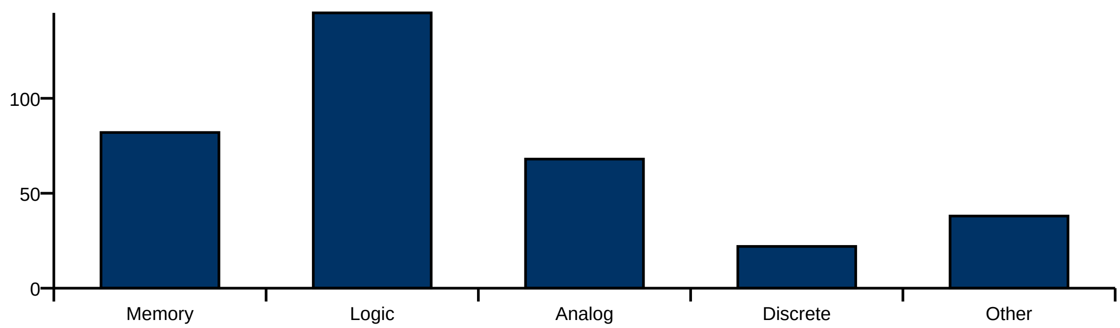
Executive Summary

Global semiconductor industry dynamics in Q1 2026 reflect a continued shift from inventory correction to measured recovery, with AI related demand providing a structural tailwind. We maintain a selective overweight on memory and advanced logic exposed to data center and edge AI, while remaining neutral on broader analog and discrete names until visibility improves. Our channel checks suggest order patterns have stabilized in North America and Asia, with lead times for certain components extending modestly. We update our estimates for the full year and highlight key catalysts and risks for the quarter ahead.

Demand and supply balance

Memory pricing has stabilized quarter over quarter with DRAM and NAND both showing sequential improvement. Leading edge logic capacity remains tight relative to AI and high performance computing demand. We expect foundry utilization to improve through the first half of 2026, with order visibility extending for key cloud and OEM customers. Inventory levels across the supply chain have normalized from elevated readings in 2024, though pockets of excess remain in certain analog and discrete categories. Our analysis suggests that the memory cycle has entered a recovery phase, with pricing power gradually returning to producers. We model low to mid single digit revenue growth for the broader sector in 2026, with outperformance in memory and select logic names.

Global semiconductor revenue by segment (est. $B)

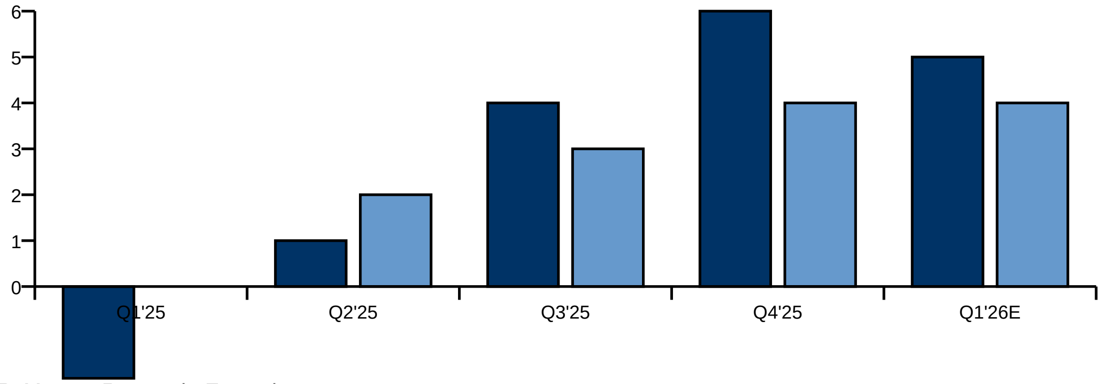


Source: J.P. Morgan estimates. Segment revenue for full year 2026.

Regional and end market trends

North America and Asia Pacific continue to drive the majority of incremental demand, led by data center buildouts and automotive content growth. European demand remains muted relative to historical averages, with industrial and automotive applications providing stability. We see increasing design activity in edge AI and inference, which should benefit a broader set of semiconductor vendors over the next 12 to 24 months. Automotive semiconductor content per vehicle continues to rise, supporting long term growth for power management, sensing, and connectivity chips. We monitor consumer end markets for signs of recovery, as smartphone and PC units have shown early signs of stabilization after a prolonged correction.

Quarter over quarter revenue growth (%)

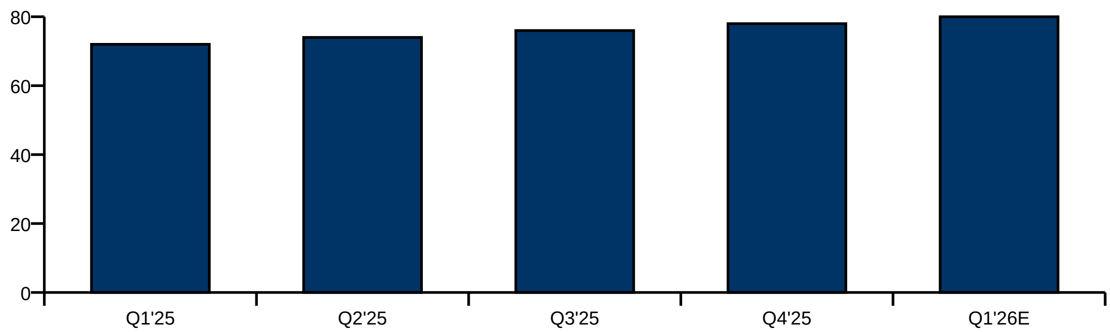


Source: J.P. Morgan Research. E = estimate.

Sector recommendations and valuation

Our top picks remain focused on names with clear AI infrastructure exposure and pricing power. We see upside to consensus estimates for memory producers and selected fabless vendors with strong data center revenue mix. Geopolitical and export policy remain key monitoring points for the sector. We maintain a disciplined approach to valuation, favoring names where earnings revisions are likely to move higher and where risk reward is favorable. Our price targets reflect a blend of peer multiples and discounted cash flow analysis, with appropriate adjustments for quality and visibility. We highlight several names that we believe are mispriced relative to their positioning in the AI and automotive cycles.

Foundry utilization rate (%)



Source: J.P. Morgan estimates. Industry utilization, leading edge.

Risks and monitoring points

Key risks to our outlook include a sharper than expected slowdown in cloud capital expenditure, further escalation of export controls affecting China exposure, and inventory rebuild that proves short lived. We also monitor foreign exchange and commodity cost trends for impact on margins. Our base case assumes a soft landing scenario for the global economy with gradual improvement in consumer and enterprise spending. Downside scenarios would involve a more pronounced recession or policy shocks that disrupt supply chains or end demand.