BERNSTEIN
SOCIETE GENERALE GROUP

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U.S. Technology

U.S. Tech Hardware/Semis/Networking: How crowded are hardware and semis as we enter H2'26?


Daniel Zhu
+1 917 344 8309
daniel.zhu@bernsteinsg.com


Mark C. Newman
+1 212 845 7822
mark.newman@bernsteinsg.com


Stacy A. Rasgon, Ph.D.
+1 213 559 5917
stacy.rasgon@bernsteinsg.com


Ryan Dou
+1 917 344 8451
ryan.dou@bernsteinsg.com


Viola Chen
+1 917 344 8614
viola.chen@bernsteinsg.com


Phoebe Sun
+1 917 344 8481
phoebe.sun@bernsteinsg.com


Alrick Shaw
+1 917 344 8454
alrick.shaw@bernsteinsg.com


Arpad von Nemes
+1 917 344 8461
arpad.vonnemes@bernsteinsg.com


Eva Zhang
+1 212 845 7839
eva.zhang@bernsteinsg.com

In this note, we build on research done by our Quant Team on crowding in stocks across regions and sectors, and estimate crowding across the hardware/semis coverage universe.

As the AI picks and shovels thesis have gained traction, hardware/semis have been increasingly in-favor, in turn fueling concerns about crowded AI longs.

Our analysis finds that these concerns have merit, with Communications Equipment, Semiconductors, and Computers & Peripherals all being relatively crowded subsectors even after the trade has partially unwound. This especially stands in stark contrast to the longer term history, in which networking and hardware in particular have often screened as out-of-favor sectors.

Our Semis and Semicap coverage is generally very crowded, with 7/12 names in the top decile by crowding. The most notable exception is Qualcomm, which has remained the least crowded name in our coverage and has largely been in the bottom decile since the start of the year with a brief exception in April/May, when the stock squeezed and doubled following their Datacenter announcement. By subsector, AI Semis are the most crowded (AVGO, AMD, NVDA), followed by Semicap (AMAT, LRCX, KLAC, PDFS) and Analog (ADI, NXPI, TXN), with QCOM and INTC in the Other category. One notable observation is that KLAC has remained notably less crowded than its Semicap peers since June.

Crowding in IT Hardware has polarized around AI and memory with Apple, Western Digital, Seagate and Dell sitting firmly in the top decile, while other OEMs like HP Inc and Super Micro sitting at the bottom two deciles as they face component cost pressure or idiosyncratic risks. The standout is Sandisk: despite being a pure-play beneficiary of the NAND upcycle and up more than 400% YTD, it has been the least crowded with scores in between 9 and10 since Jul'26 on fears of decelerating ASP increases. We see this as a potential mispricing, although we note that Sandisk's short trading history makes its crowding score less reliable given that certain crowding factor requires trailing two years of data.

Our networking coverage screens as very crowded, with 5/7 names in the top decile by crowding. The two notable exceptions are Celestica, which continues to see above-average crowding, but which has seen a sharp decrease since summer, as well as Corning, which has shifted from being relatively uncrowded to close to the median, other than a brief window in June when it was very crowded.

We continue to believe that monitoring exposure to crowded names is critical to risk management.

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

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BERNSTEIN TICKER TABLE

			23 Oct 2026		TTM		Adjusted EPS			Adjusted P/E (x)		
Ticker	Rating	Cur	Closing Price	Price Target	Rel. Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
ANET (Arista)	O	USD	172.37	250.00	(0.3)%	USD	2.96	4.11	5.61	58.2	41.9	30.7
CLS (Celestica)	O	USD	260.01	520.00	(21.2)%	USD	6.06	10.82	24.19	42.9	24.0	10.7
CIEN (Ciena)	O	USD	320.26	440.00	72.4%	USD	2.64	7.15	12.46	121.2	44.8	25.7
CSCO (Cisco)	M	USD	106.50	110.00	38.4%	USD	3.73	4.33	5.11	28.5	24.6	20.8
COHR (Coherent)	O	USD	209.29	350.00	59.1%	USD	3.53	5.58	9.51	59.2	37.5	22.0
GLW (Corning)	M	USD	123.69	140.00	31.0%	USD	2.54	3.19	4.14	48.8	38.7	29.9
LITE (Lumentum)	O	USD	756.17	1,220.00	335.6%	USD	2.05	8.37	22.40	369.6	90.3	33.8
AMD (Advanced Micro)	O	USD	516.79	650.00	106.8%	USD	4.17	7.55	15.56	123.8	68.5	33.2
ADI (Analog Devices)	O	USD	391.07	465.00	47.6%	USD	7.79	12.85	16.77	50.2	30.4	23.3
AVGO (Broadcom)	O	USD	321.68	575.00	(19.7)%	USD	6.82	11.64	18.63	47.2	27.6	17.3
INTC (Intel)	M	USD	86.96	110.00	114.7%	USD	0.43	1.55	1.81	204.0	56.2	47.9
NVDA (NVIDIA)	O	USD	210.96	400.00	2.7%	USD	4.77	9.20	15.80	44.2	22.9	13.3
NXPI (NXP Semiconductors)	M	USD	234.92	290.00	(6.7)%	USD	11.81	15.02	16.85	19.9	15.6	13.9
PDFS (PDF Solutions)	O	USD	39.32	65.00	30.3%	USD	0.94	1.35	1.75	41.7	29.2	22.5
QCOM (Qualcomm)	M	USD	175.91	165.00	(9.7)%	USD	12.03	10.51	9.57	14.6	16.7	18.4
TXN (Texas Instruments)	M	USD	284.69	310.00	52.2%	USD	5.45	9.07	11.73	52.3	31.4	24.3
AMAT (Applied Materials)	O	USD	377.24	700.00	52.0%	USD	9.42	12.76	18.30	40.1	29.6	20.6
KLAC	O	USD	145.61	250.00	12.5%	USD	3.76	5.47	7.05	38.7	26.6	20.7
LRCX (Lam Research)	O	USD	230.10	350.00	42.8%	USD	5.82	9.62	11.69	39.5	23.9	19.7
IBM (IBM)	M	USD	253.56	250.00	(24.2)%	USD	11.58	12.38	13.56	21.9	20.5	18.7
WDC (Western Digital)	O	USD	343.67	600.00	160.2%	USD	10.19	27.30	45.26	33.7	12.6	7.6
STX (Seagate)	O	USD	630.49	1,350.00	165.3%	USD	15.53	40.61	64.40	40.6	15.5	9.8
AAPL (Apple)	O	USD	347.73	370.00	20.8%	USD	7.46	8.85	9.90	46.6	39.3	35.1
SMCI (SMCI)	M	USD	32.94	42.00	(44.4)%	USD	3.56	3.99	3.53	9.2	8.3	9.3
HPQ (HPQ)	M	USD	33.64	32.00	7.7%	USD	3.12	3.29	3.54	10.8	10.2	9.5
HPE (HPE)	M	USD	56.69	62.00	131.3%	USD	1.96	3.84	4.59	28.9	14.8	12.4
DELL (Dell)	O	USD	456.44	650.00	182.8%	USD	10.35	25.88	29.63	44.1	17.6	15.4
SNDK (SanDisk)	O	USD	1,238.03	3,000.00	628.0%	USD	70.08	238.36	272.09	17.7	5.2	4.6
SPX			7,623.68									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

ANET, CLS, CIEN, CSCO, COHR, GLW, LITE, TXN, DELL estimate is Reported EPS; ANET, CLS, CIEN, CSCO, COHR, GLW, LITE, TXN valuation is Reported P/E (x); NVDA, KLAC, LRCX, WDC, STX, SMCI, DELL, SNDK base year is 2026;

Source: Bloomberg, Bernstein estimates and analysis.

INVESTMENT IMPLICATIONS

Celestica (OP, $520) has been and remains a relatively crowded stock, the degree of crowding has moderated in recent months and is now comparatively low vs. history. We wonder if this provides are more constructive setup into the investor day, especially given that the multiple has compressed but many investors remain concerned about high expectations into the event.

We maintain our Outperform ratings on **Arista (OP, $250), Ciena (OP, $440), Lumentum (OP, $1,220), and Coherent (OP, $350)**, but acknowledge that the names continue to face risk from a further crowding drawdown.

We maintain our Market-Perform ratings on **Corning (MP, $140)** and **Cisco (MP, $110)**.

We maintain Outperform ratings on **Apple (OP, $370), Western Digital (OP, $600), Seagate (OP, $1,350), Dell Technologies (OP, $650), and Sandisk (OP, $3,000)**. Sandisk is of particular note given its low crowding, but data is less reliable for SNDK given the short trading history since re-listing (see body of text for more details).

We maintain Market-Perform ratings on **HP Inc (MP, $32), IBM (MP, $250), Super Micro (MP, $42) and Hewlett Packard Enterprise (MP, $62)**.

We rate **AMD (OP, $650), ADI (OP, $465), AVGO (OP, $575), NVDA (OP, $400), PDFS (OP, $65), AMAT (OP, $700), KLAC (OP, $250), LRCX (OP, $350)** Outperform. We rate **INTC (MP, $110), NXPI (MP, $290), QCOM (MP, $165), TXN (MP, $310)** Market-Perform.

DETAILS

In this note, we follow the Bernstein software team in estimating 'crowdedness' for our covered names. This builds on research done by our Quant Team on crowding in stocks across regions and sectors. For the software edition of this note, see: Bernstein Software: How crowded is software as we enter H2'26?

As the AI picks and shovels thesis have gained traction, hardware/semis have been increasingly in-favor, in turn fueling concerns about crowded AI longs. Even after the trade has partially unwound, our analysis finds that these concerns have merit, with Communications Equipment, Semiconductors, and Computers & Peripherals all being relatively crowded subsectors.

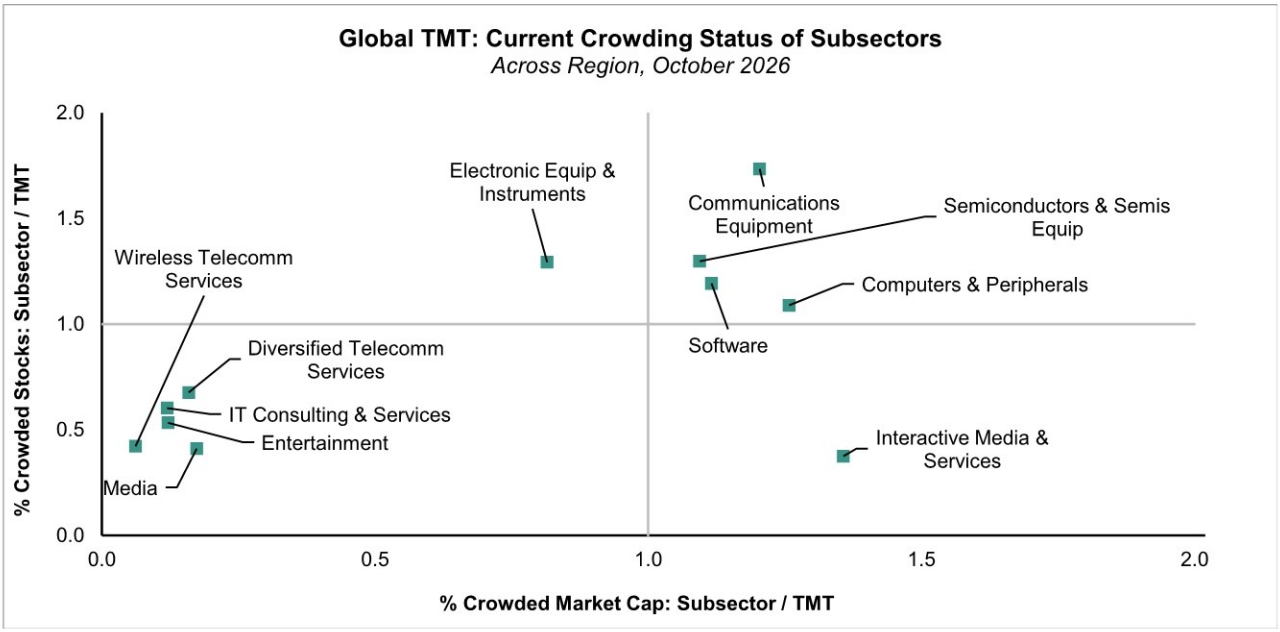
- **Semiconductors, Computers & Peripherals, and Communications Equipment, have all become crowded subsectors with TMT** (Exhibit 1). As the AI picks and shovels thesis has gained traction, hardware/semis are seen as AI infrastructure winners. As a result, the TMT subsectors corresponding to hardware/semis/networking (Electronic Equipment & Instruments, Communications Equipment, Semiconductors & Semis Equipment, Computers & Peripherals) all rate as relatively crowded subsectors. Software is the only other sub-sector that rates as crowded, with media, telecom, and IT services sub-sectors all being relatively uncrowded.

- **Communications Equipment in particular is the most crowded sub-sector by a segment margin** (Exhibit 2). Notably, communications equipment is the most crowded sub-sector by a significant margin, with a Z-score of 0.74, followed by semiconductors at 0.31 and electronic equipment at 0.28. Within hardware/semis, computers & peripherals are relatively more neutral in terms of crowding.

- **This particularly stands in contrast to hardware and networking's history as out of favor sectors.** The current crowding is especially notable given that hardware/semis have been relatively out of favor historically, owing to long-term underperformance (Exhibit 3). As a result, crowding levels stand out even more when comparing to historical levels. This is especially true for Communications Equipment, where 95% of crowded stocks marks is well above the historical norm, albeit the crowding is less extreme on a market cap basis given that Corning is one of the largest market cap stocks in the group and is relatively uncrowded (Exhibit 4).

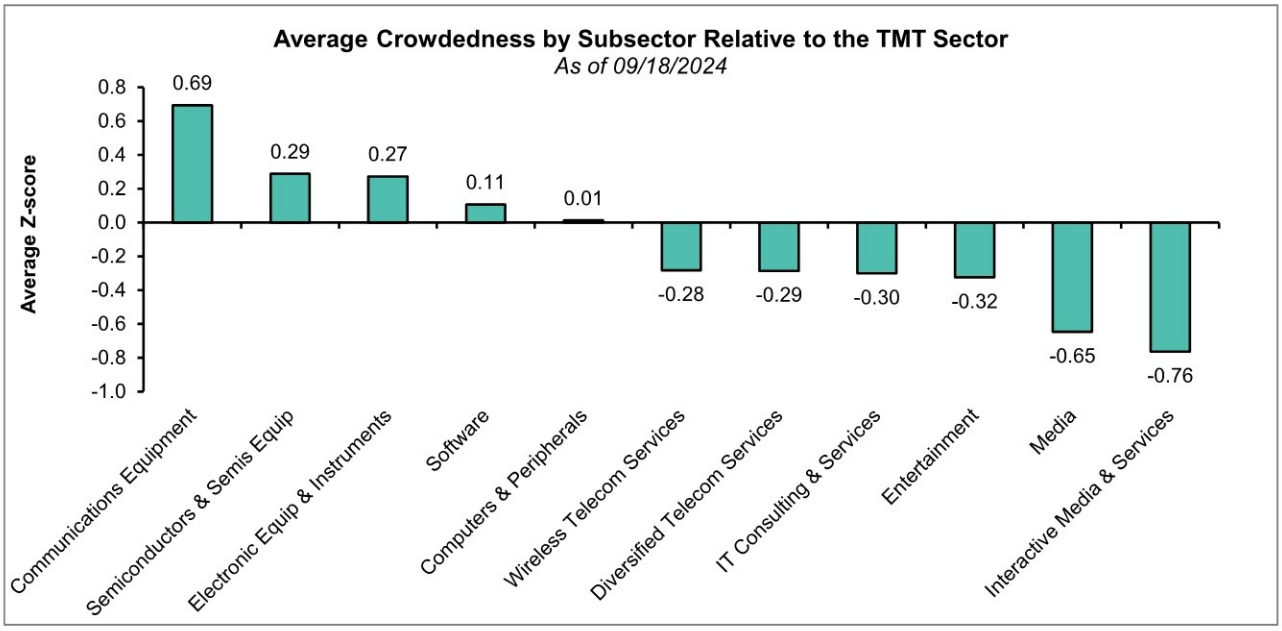
- **Zooming out, technology is the most crowded sector, but is not especially crowded vs. history.** If we zoom out, technology is the most crowded GICS sector (Exhibit 5), followed by healthcare, energy, and industrials (Exhibit 6). However, we observe that tech has always been crowded - relative to history, tech is experiencing crowding which is above average but not outlier high. In fact, viewed in relative terms vs. history, financials and industrials are both experiencing more elevated crowding compared to tech (Exhibit 7)

EXHIBIT 1: **Hardware/Semis comprise the majority of crowded TMT subsectors**



Data as of 10/22
Source: MSCI, Factset, Bernstein analysis

EXHIBIT 2: **Communications Equipment is the most crowded sub-sector, with semiconductors and electronic equipment following**



Data as of 10/22
Source: MSCI, Factset, Bernstein analysis

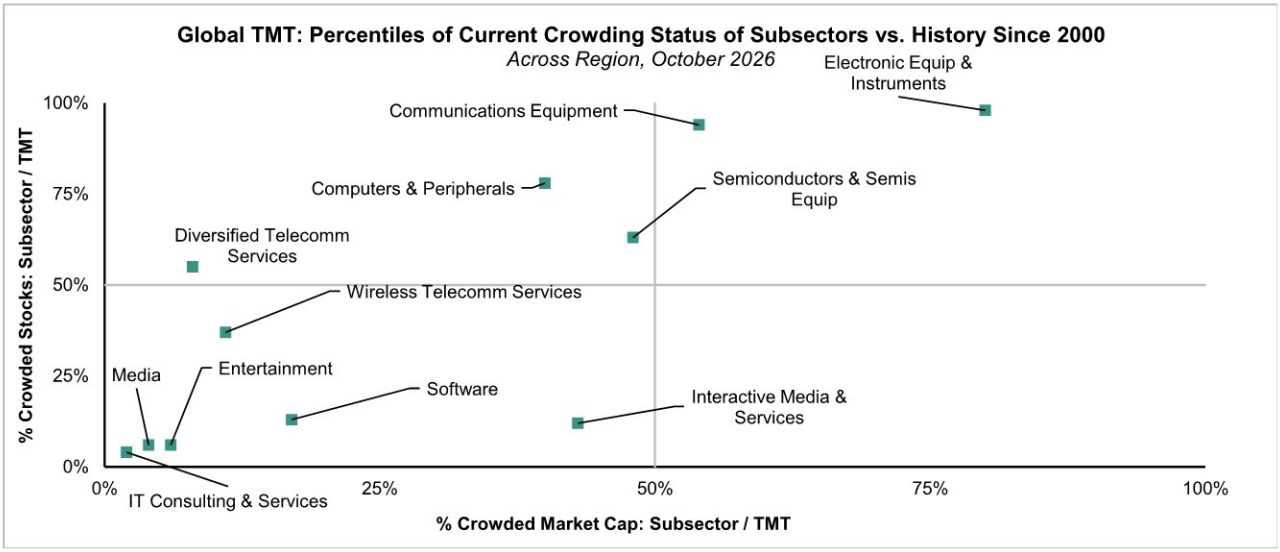
EXHIBIT 3: **U.S. Tech: 1997-2022 Revenue and Market Cap Growth**

	Hardware ex. Apple		Semis		Software		Tech Services	
	10 years	25 years	10 years	25 years	10 years	25 years	10 years	25 years
Revenue CAGR	1.27%	2%	12.99%	7%	15.26%	10%	5.16%	7.06%
Market Cap ($M)	894,330		7,646,373		7,788,251		875,319	
CAGR	12%	2%	32%	11%	25%	11%	5%	6%

	Networking		Internet			Total	
	10 years	25 years	10 years	25 years		10 years	25 years
Revenue CAGR	-3.75%	-2%	19.97%	16%		8.76%	7%
Market Cap ($M)	472,470		5,893,104			27,043,536	
CAGR	3%	-2%	20%	14%		21%	9%

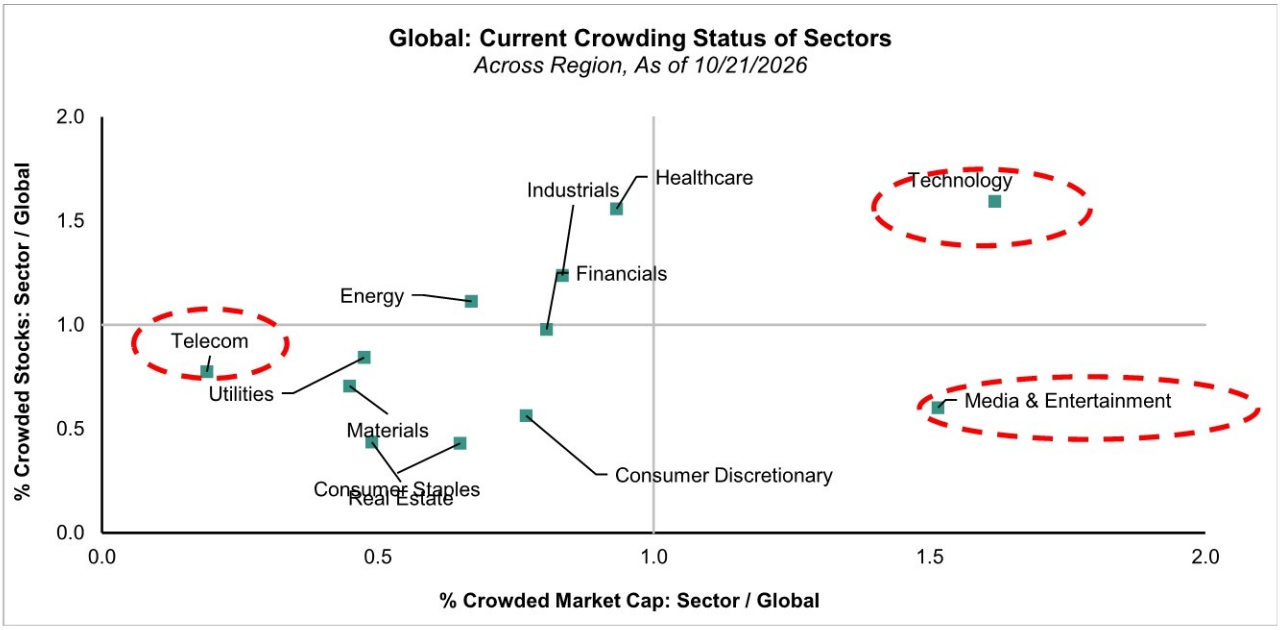
Source: Bernstein Quantitative Team, Bloomberg, Bernstein analysis, Data as of 12/31/22, cap-weighted

EXHIBIT 4: **Hardware and networking stand out as more crowded vs. history**



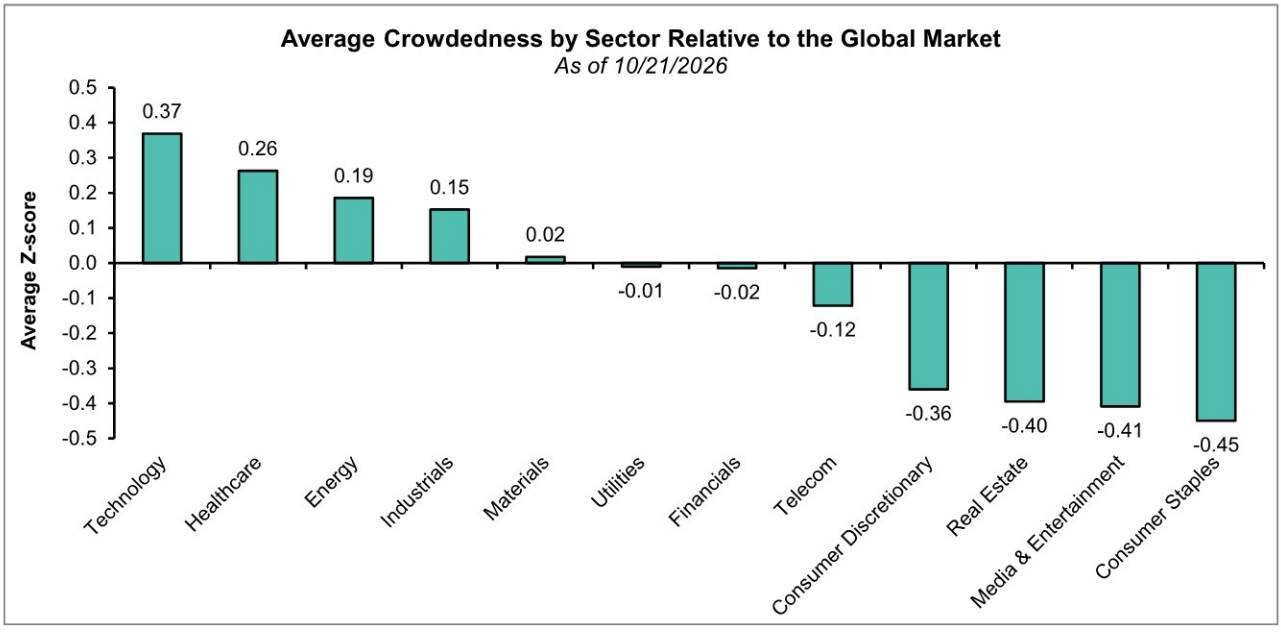
Data as of 10/22
Source: MSCI, Factset, Bernstein analysis

EXHIBIT 5: **Technology remains crowded compared to the rest of the market...**



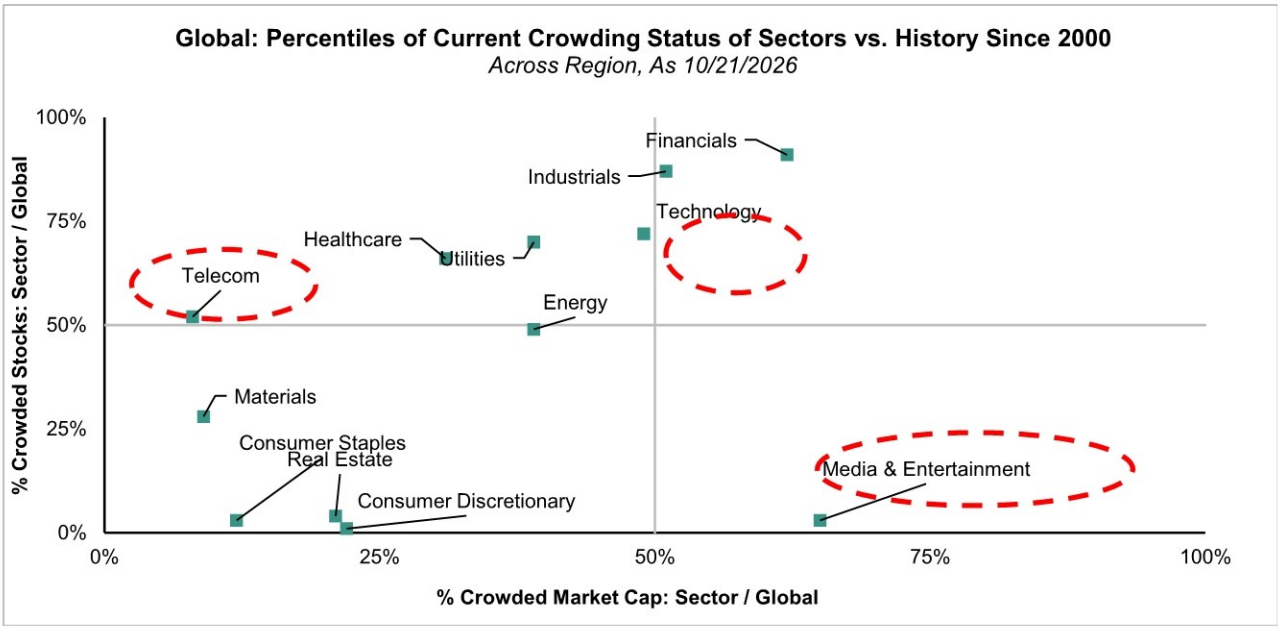
Data as of 10/22
Source: MSCI, Factset, Bernstein analysis

EXHIBIT 6: **Technology is the most crowded GICS sector, folllowed by heatlhcare, energy, and industrials**



Data as of 10/22
Source: MSCI, Factset, Bernstein analysis

EXHIBIT 7: **...But tech is not expecially crowded relative to its history**

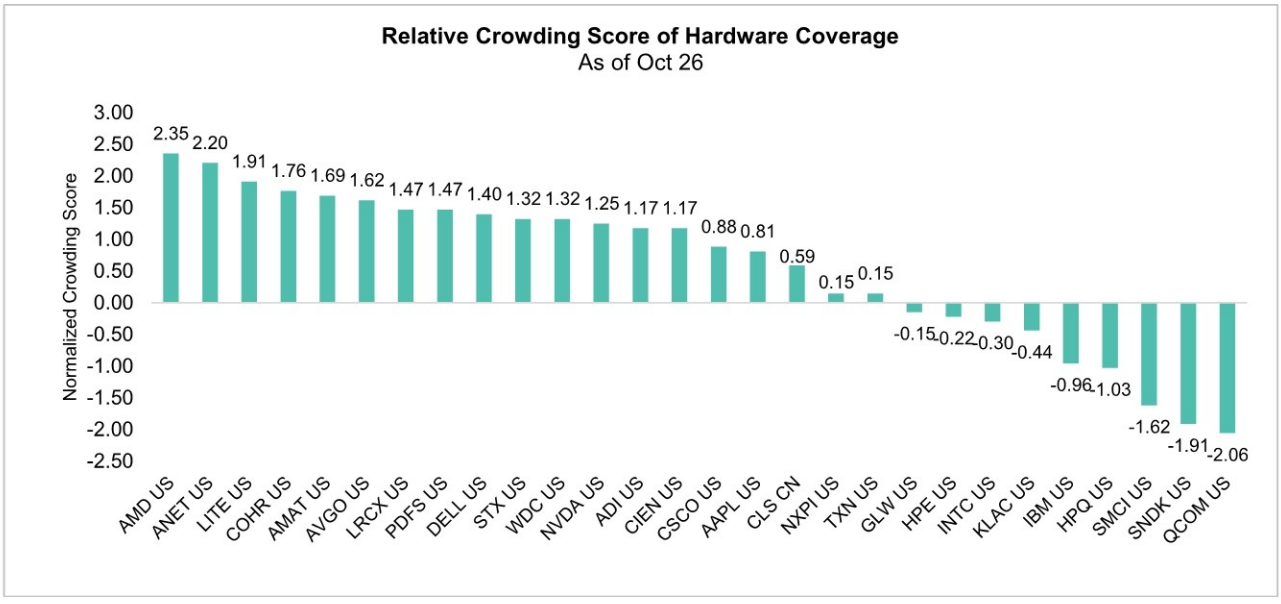


Data as of 10/22
Source: MSCI, Factset, Bernstein analysis

Across our coverage, AMD, ANET, LITE, COHR and AMAT stand out as crowded stocks. Conversely, HPQ, SMCI, SNDK and QCOM are notably uncrowded stocks. We look within hardware/semis, and focusing on single stock crowding scores (which we calculate as a Z-score relative to the rest of the hardware/semis universe[1]). On that basis, AMD, ANET, LITE, COHR and AMAT screen as very crowded (Exhibit 8). Even beyond our coverage, these are among the most crowded stocks across large cap semis/hardware (Exhibit 9). Conversely, QCOM stands out as the most uncrowded name in our coverage, which is especially notable given that the other very uncrowded stocks in semis-hardware are mostly Asia-listed (Exhibit 10). SNDK also stands out as uncrowded which is notable given how much share price has moved in the past 18months, however, we caution that SNDK data is not as reliable due to its shorter trading history.

[1] Crowding score calculated against a universe consisting of all stocks in the following GICS industries: Semiconductors & Semiconductor Equipment, Computers & Peripherals, Communication Equipment, Electronic Equipment & Instruments. Dell and IBM also added to the universe given that they are the only names in the Bernstein hardware/semis coverage sitting outside of those industries (classified as software and IT consulting, respectively).

EXHIBIT 8: **AMD, ANET, LITE, COHR, and AMAT stand out as crowded stocks in our coverage**



Crowding score calculated against a universe consisting of all stocks in the following GICS industries: Semiconductors & Semiconductor Equipment, Computers & Peripherals, Communication Equipment, Electronic Equipment & Instruments. Dell and IBM also added to the universe given that they are the only names in the Bernstein hardware/semis coverage sitting outside of those industries (classified as software and IT consulting, respectively).
Source: MSCI, Factset, Bernstein analysis

EXHIBIT 9: **AMD, ANET, and AMAT are also the most crowded among the top 30 semis/hardware stocks by market cap**

Ticker	Company	Market Cap (USD Mil)	Percentile Among Top 30
AMD US	ADVANCED MICRO DEVICES	828,231	97%
ANET US	ARISTA NETWORKS	215,412	94%
AMAT US	APPLIED MATERIALS	298,195	91%
AVGO US	BROADCOM	1,537,840	88%
LRCX US	LAM RESEARCH CORP	287,819	84%
DELL US	DELL TECHNOLOGIES C	292,346	81%
STX US	SEAGATE TECHNOLOGY	145,286	78%
NVDA US	NVIDIA	5,135,482	75%
ADI US	ANALOG DEVICES	187,899	70%
APH US	AMPHENOL CORP	179,786	70%
ASML NA	ASML HLDG	616,998	65%
CSCO US	CISCO SYSTEMS	413,417	62%
AAPL US	APPLE	5,114,431	59%
MRVL US	MARVELL TECHNOLOGY	195,708	55%
MU US	MICRON TECHNOLOGY	967,314	52%
2454 TT	MEDIATEK INC	197,204	47%
601138 C1	FOXCONN INDL A (HK-C)	142,480	47%
TXN US	TEXAS INSTRUMENTS	254,371	42%
285A JP	KIOXIA HOLDINGS	131,710	39%
000660 KS	SK HYNIX	658,484	36%
005930 KS	SAMSUNG ELECTRONICS CO	1,048,654	31%
2330 TT	TAIWAN SEMICONDUCTOR MFG	1,896,385	31%
INTC US	INTEL CORP	429,673	26%
6857 JP	ADVANTEST CORP	150,716	23%
KLAC US	KLA CORPORATION	193,107	20%
6861 JP	KEYENCE CORP	124,315	17%
8035 JP	TOKYO ELECTRON	140,664	13%
IBM US	IBM CORP	236,954	10%
SNDK US	SANDISK	186,731	7%
QCOM US	QUALCOMM	182,163	4%

Source: MSCI, Factset, Bernstein analysis

EXHIBIT 10: **Qualcomm stands out as one of the most uncrowded stocks in our semis/hardware coverage**

10 Most Crowded:		Std. Dev from Software & Internet Avg.	10 Least Crowded:		Std. Dev from Software & Internet Avg.
AMD US	ADVANCED MICRO DEVICES	2.35	7751 JP	CANON INC	(2.24)
ANET US	ARISTA NETWORKS	2.20	4901 JP	FUJI FILM HOLDINGS CO	(2.16)
LITE US	LUMENTUM HOLDINGS	1.91	603501 C1	OMNIVISION INTGR A(HK-C)	(2.14)
JBL US	JABIL CIRCUIT	1.76	INGM US	INGRAM MICRO HLDG	(2.14)
COHR US	COHERENT CORP	1.76	QCOM US	QUALCOMM	(2.06)
VSAT US	VIASAT	1.76	SNDK US	SANDISK	(1.91)
ALGM US	ALLEGRO MICROSYSTEMS	1.76	601012 C1	LONGI GREEN ENER A(HK-C)	(1.91)
AMAT US	APPLIED MATERIALS	1.69	600438 C1	TONGWEI CO A (HK-C)	(1.91)
ALAB US	ASTERA LABS	1.62	688036 C1	SHENZHEN TRANSSI A(HK-C)	(1.91)
AVGO US	BROADCOM	1.62	688223 C1	JINKO SOLAR A (HK-C)	(1.91)

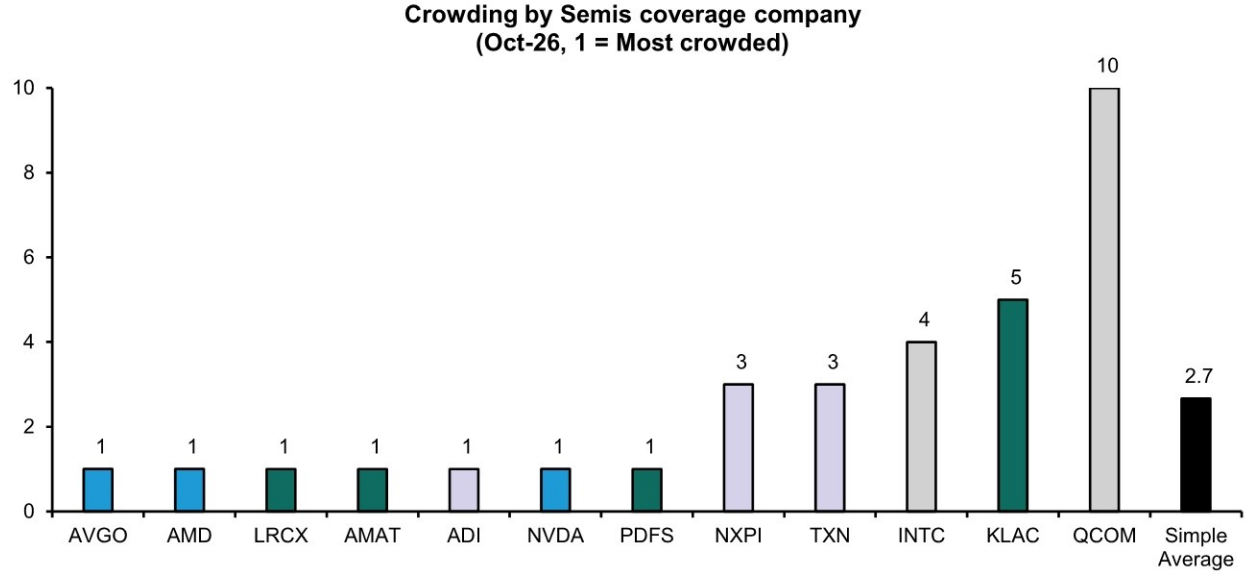
Source: MSCI, Factset, Bernstein analysis

Our Semis and Semicap coverage is generally very crowded, with 7/12 names in the top decile by crowding. (Exhibit 11) The most notable exception is Qualcomm, which has remained the least crowded name in our coverage and has largely been in the bottom decile since the start of the year with a brief exception in April/May, when the stock squeezed and doubled following their Datacenter announcement.

Perhaps unsurprisingly, when segmenting our coverage by subsector (AI Semis, Analog, Semicap and Others), AI Semis are the most crowded (AVGO, AMD, NVDA), followed by Semicap (AMAT, LRCX, KLAC, PDFS) and Analog (ADI, NXPI, TXN), with QCOM and INTC in the Other category (**Exhibit 12**).

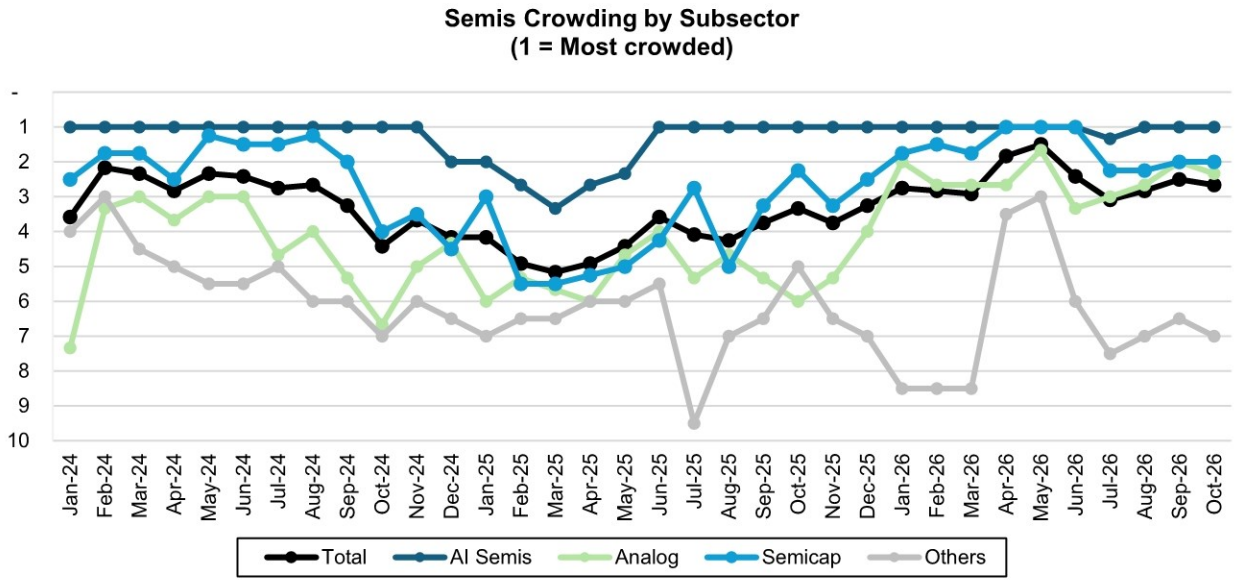
One notable observation is that KLAC has remained notably less crowded than its Semicap peers since June (median crowding for KLAC vs. top decile for the other three; **Exhibit 13**). In our view, this is largely attributable to a less compelling near-term investment profile. Compared with its peers in our coverage, KLAC is expected to post slower CY26 growth due to longer lead times and faces some company-specific margin headwinds related to DRAM used in its own products (~100bps of GM headwind). Moreover, its exposure to the memory complex is more limited than the others. Against this backdrop, and given KLAC's premium valuation relative to both AMAT and LRCX, investors have likely gravitated toward those peers.

EXHIBIT 11: **Semiconductor Crowding**



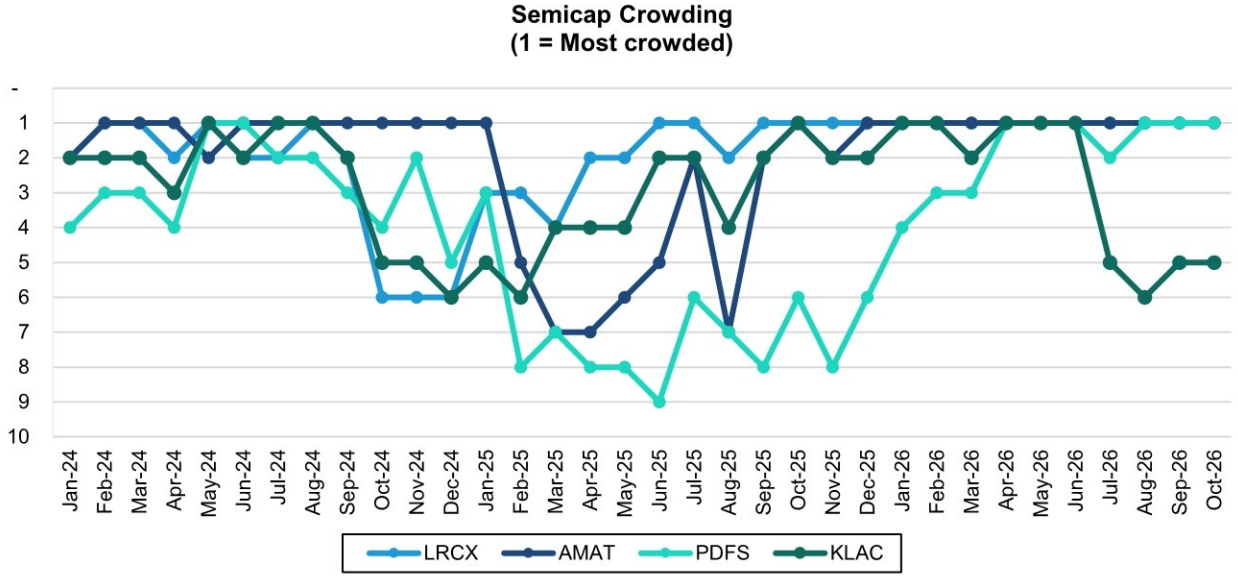
Colors represent Semis subsector. Blue = AI Semis; Green = Semicap; Purple = Analog; Grey = Others. Note; Rank order among companies with same crowding scores is determined by consecutive months of current crowding score.
Source: MSCI, Factset, Bernstein analysis

EXHIBIT 12: **Across our coverage, AI semis are most crowded, followed by Semicap and Analog**



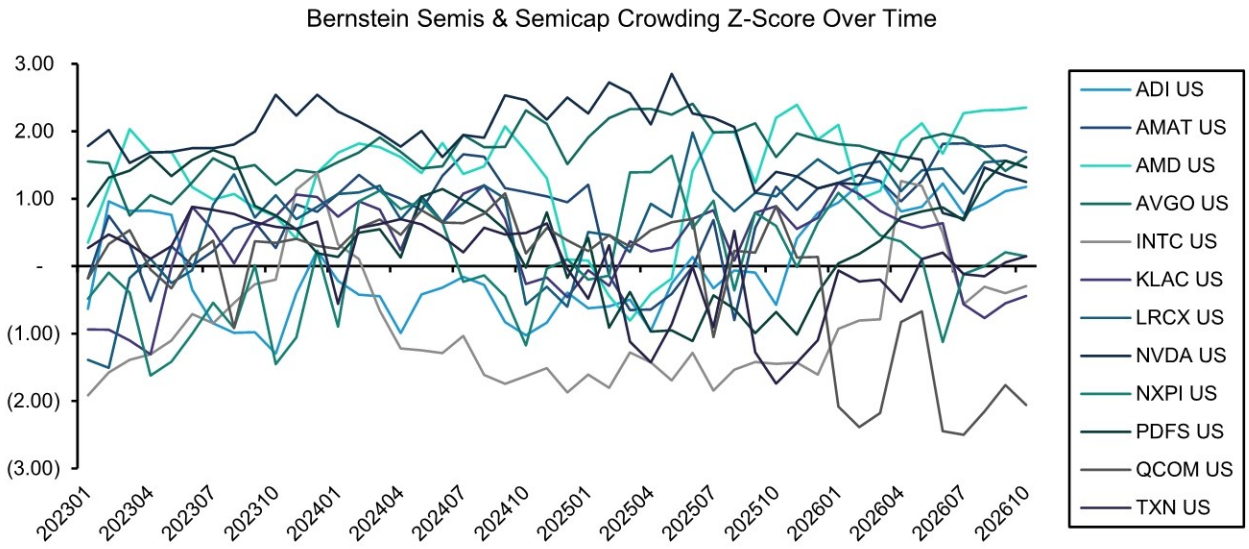
AI Semis = AMD, AVGO, NVDA; Analog = ADI, NXPI, TXN; Semicap = AMAT, KLAC, LRCX, PDFS; Other = INTC, QCOM. Total and subsegment crowding scores calculated as simple average of individual crowdwing scores.
Source: MSCI, Factset, Bernstein analysis

EXHIBIT 13: **KLAC is the notable standout among Semicaps having being significantly less crowded than peers since June**



Source: MSCI, Factset, Bernstein analysis

EXHIBIT 14: **Our semis coverage generally screens as crowded, with QCOM and to a lesser extent, KLAC being notable exceptions**



Source: MSCI, Factset, Bernstein Analysis

Crowding in IT Hardware has polarized around AI and memory with Apple, Western Digital, Seagate and Dell sitting firmly in the top decile, while other OEMs like HP Inc and Super Micro sitting at the bottom two deciles as they face component cost pressure or idiosyncratic risks - Exhibit 17. The standout is Sandisk: despite being a pure-play beneficiary of the NAND upcycle and up more than 400% YTD (almost 900% YTD at its June peak), it has been the least crowded with scores in between 9 and10 since Jul'26 on fears of decelerating ASP increases. We see this as a potential mispricing, although we note that Sandisk's short trading history makes its crowding score less reliable given that certain crowding factor requires trailing two years of data.

- **Apple** is in the most-crowded decile and has been at 1-2 ever since beginning of 2024 except for one month, making it the most consistently crowded name in our coverage. Crowding has not budged even as memory cost concerns have built. We remain Outperform but have flagged downside risk to the Dec quarter gross margin and EPS, with higher DRAM and NAND costs making up roughly 90% of the yoy cost increase in the new iPhone series models compared to their predecessors. Given the positioning, a gross margin/EPS miss would be a near-term negative catalyst into the print early November, but we believe the long-term case remains intact: we continue to see Apple as the gateway to consumer AI, and it gets there without the multi-billion dollar AI capex that some of the hyperscalers or large software names are carrying

- **Sandisk** surprised us as being in the bottom decile of crowding, though we note that the shorter trading history make this rating less reliable. It ranged from 3 to 10 after its Feb'25 listing, and it has scored 10 in most months of 2026, with a brief move to 3 in Jun'26 near the stock's peak. The stock was up more than 130% YTD (vs. peak in June at almost 300%). We do note that Sandisk's crowding score may be less stable and reliable due to its short trading history and certain crowding factors require at least two years' of trading to be effective, so we will be monitoring its updated score in Feb'27. We rate Sandisk Outperform. We think the market is undervaluing the earnings power and durability of this cycle, with NAND still structurally under supplied. The market still appears to treat Sandisk as a cyclical trade, and the "de-crowding" with crowding score at 9-10 since July reflects concern about decelerating ASP increases. We think the new LTA contract structure alleviates that concern significantly: more than half of Sandisk's FY27 bits, and around two-thirds of FY28 bits, are now sold under LTAs with price floors and ceilings with eight data center and edge customers backed by $16.5B in financial guarantees. Earnings growth also has leg given Sandisk's operating leverage.

- **Western Digital** has scored 1 every month since Jun'25, the longest unbroken run of top-decile crowding in our coverage. We upgraded WDC to Outperform in March after the TurboQuant-driven sell-off, and we reiterated OP after WDC reported strong results last week powered by accelerating Price per TB. Heavy crowding has made the stock vulnerable to headline-driven drawdowns, including the rising capex concerns during earnings last week and Toshiba capacity and TDK head-supply scares. We see those fears as overblown: 1) the increased capex guide is to add capacity entirely in preparation for HAMR

migration, media, and glass substrate production, not unit add; and 2) Toshiba doubling capacity would only make its share move modestly while WDC and Seagate each grew 25%. We view these episodes as buying opportunities.

- **Seagate** was less consistently crowded than WDC in 2025, moving between 1 and 6, and eased to 5-7 in C1Q26. It has since scored the top-decile crowding since Jul'26 as the HDD thesis gained broader acceptance. ***Seagate is currently our top pick***, and we reiterated Outperform after the October sell-off and named Seagate our first choice to buy on weakness. The stock has contracted almost all of its nearline capacity through 2028 and is sold out for calendar 2026. The differentiator vs. Western Digital is its HAMR lead: we model HAMR at roughly 70% of Seagate's nearline exabytes in 2027 versus Western Digital at about 5%. WDC's sell-off last week after results spilled over to Seagate, which we view as opportunity going into Seagate's own results this week, because in addition to strong pricing, STX will also benefit from accelerating cost declines from HAMR.

- **Dell** is also in the top-decile crowding herd the past three months, after it briefly moved to 5 in Apr'26 and 4 in Jul'26 as memory cost fears weighed on the OEMs. We remain Outperform rating on Dell as we see Dell as the top AI server OEM, with growth continuing to beat expectations. FQ2 reinforced that view with a strong beat and raise: record AI server orders of $60.9B, a record $95B backlog exiting the quarter, and FY27 revenue guidance raised by $25B to $192B. The bear case has been that AI servers dilute margins, but non-GAAP operating margin expanded to 12.6% (up 495 bps yoy). With the stock this crowded, the key risk in our view is component supply limiting backlog conversion rather than demand.

- **HPE** sat in the middle-to-low range through 2025 (3-10) and crowded sharply into 1-2 from Apr'26 to Jul'26 after trading higher along with the other AI names, and it has eased to 4 since Aug'26 as the stock gave back some gains. We are Market-Perform on HPE. We think it will benefit from the rising agentic AI tidal wave, but HPE also faces potential unit demand risk which limits how much of the order growth - especially AI server order growth - reaches earnings as the majority of HPE's growth is fueled by traditional server.

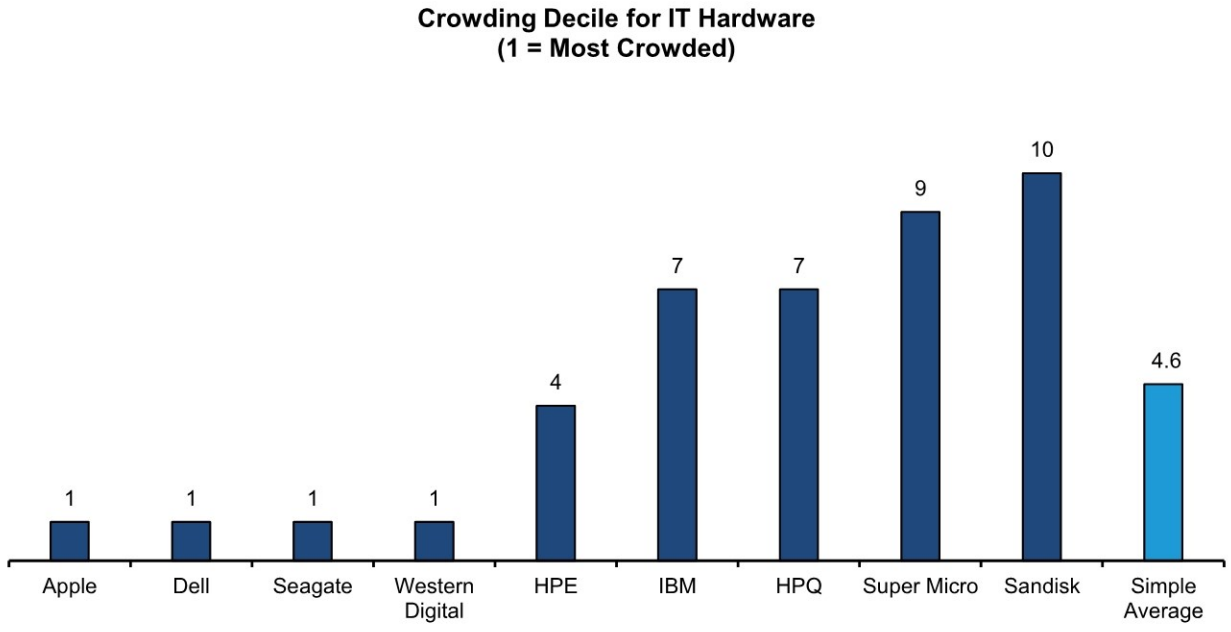
- **HPQ**: this is our least crowded name in our coverage since 2025, with an average crowding score at 9 since Jan'25. We are Market-Perform on HPQ. Memory is an overhang for them as memory and storage costs have risen to roughly 35% of the PC bill of materials from 15-18%. Management also expects costs to keep rising through FQ3 and FQ4, and it has guided to a double-digit decline in PC units for 2026. Street ratings skew heavily to Underweight and Sell, so with light positioning and low expectations, the risk-reward is more balanced than the sentiment suggests.

- **IBM** crowding retreated beginning in 1H26, jumped to 7 in Feb'26 and remained at 7 in the past 4 months as the AI disruption narrative hit software. We are Market-Perform on IBM. Stock sold off significantly in July after a rate result preannouncement of slippage of some deals (mainly in mainframes and transaction processing) due to capex budget constraints in the current rising price environment driven by memory shortages, but the stock slowly recouped its momentum since and management noted two-thirds of the ELAs delayed in Q2 closed in Q3, in the most recent earnings call last week. The key question for the stock is still whether IBM's heavy software and consulting exposure leaves it vulnerable to AI-driven devaluation in the long term.

- **Super Micro** was mid-range in 2025 (4-7 for most months) but has scored 9-10 every month ever since Jan'26, the least-crowded name in our coverage in 2026. That holds even after its positive preannouncement of results that are meaningfully better than guidance and expectations. The results suggest AI server growth finally re-accelerated as some delayed orders began converting. Recent results also suggest initial backlog conversion, but AI revenue still showed limited growth over the previous two quarters. We believe management credibility remains the key discount, as investors have longstanding concerns about Supermicro's guidance reliability following historically repeated earnings misses and shipment delays, although the CFO change could improve sentiment.

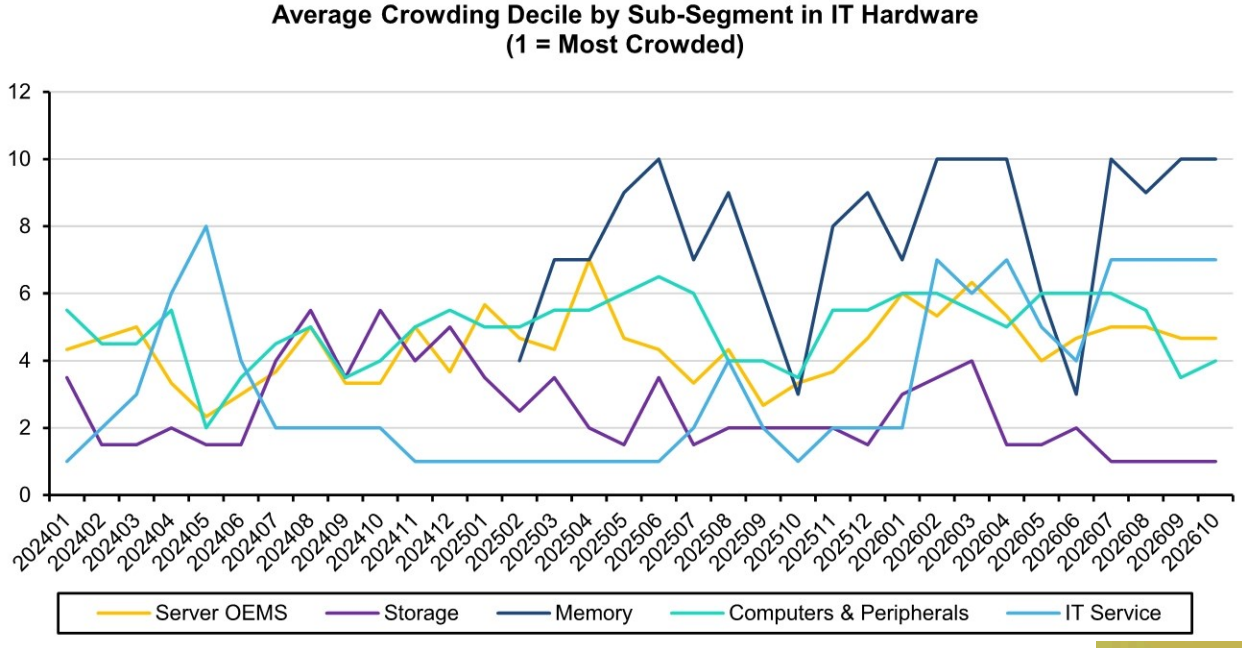


EXHIBIT 15: **Within IT Hardware coverage, 4/9 names are in the top decile crowded names**



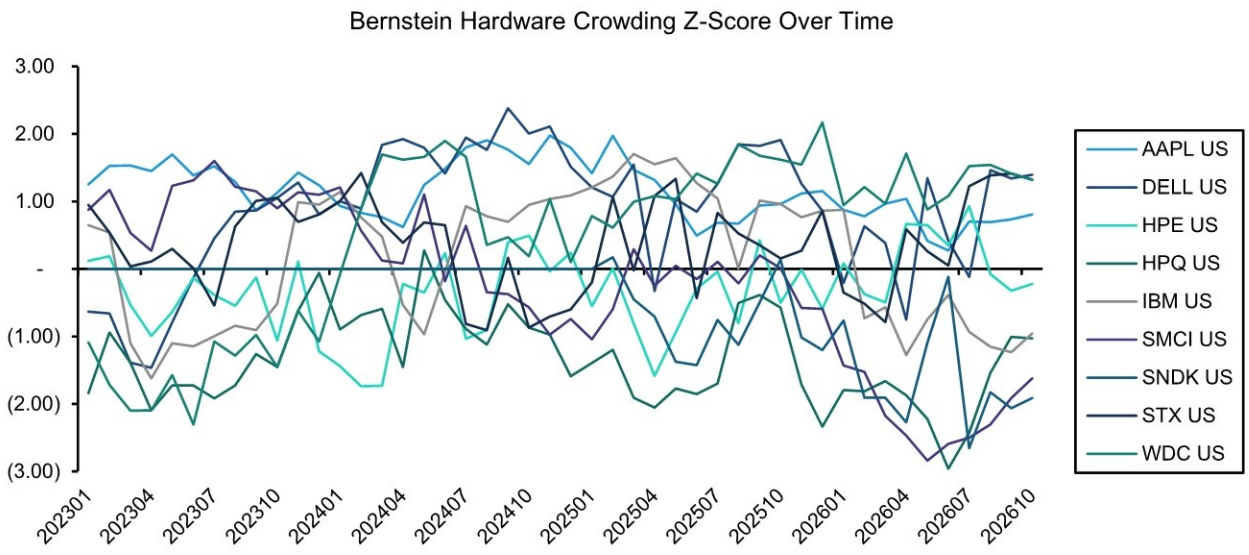
As of Oct 21, 2026
Source: MSCI, Factset, Bernstein Analysis

EXHIBIT 16: **Storage understandably is the most crowded sub sector within the hardware coverage; and Memory screens to be the least crowded partially due to SNDK's short trading history and lack of active bets after the recent sell-off**



Server OEMs include SMCI, HEP, DELL; Storage includes WDC, STX; Memory includes SNDK; Computers & Peripherals include AAPL and HPQ; IBM
Source: MSCI, Factset, Bernstein Analysis

EXHIBIT 17: **Within the Bernstein Hardware coverage, AAPL, DELL, STX, and WDC stand out as crowded**



Source: MSCI, Factset, Bernstein Analysis

Our networking coverage screens as very crowded, with 5/7 names in the top decile by crowding - Exhibit 18. The two notable exceptions are Corning, which has shifted from being relatively uncrowded to close to the median, other than a brief window in June when it was very crowded, and Celestica, which has seen its crowding drop significantly and is now the 2nd least crowded stock in coverage, albeit still more crowded than the hardware/semis universe average.

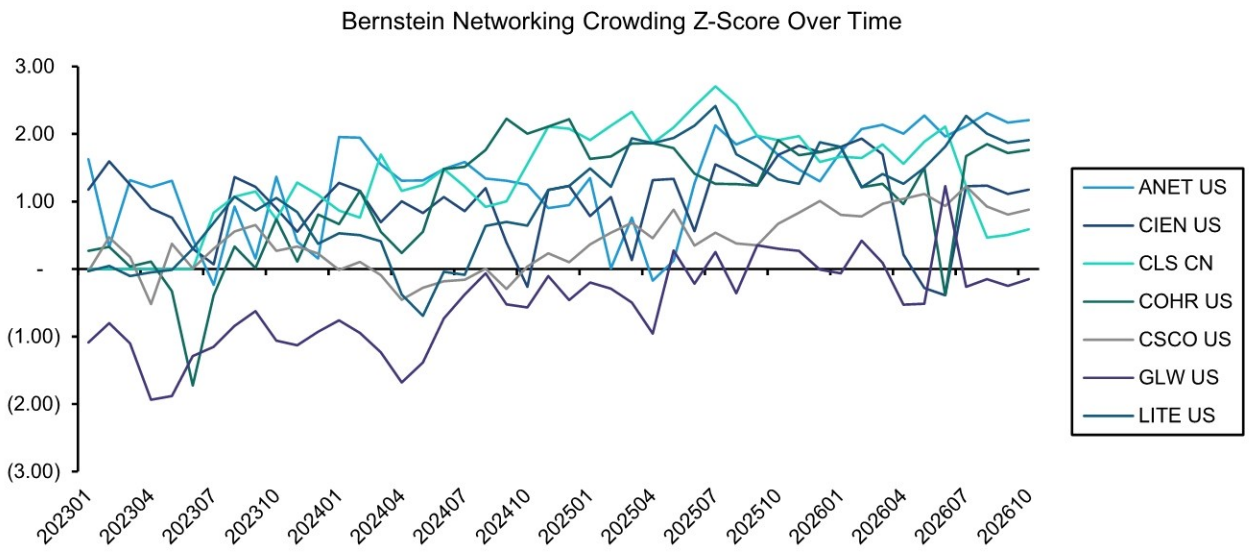
- **Celestica** has been a consistently crowded stock. However, from a peak in June, Celestica has seen a significant decline in crowding, onsistent with our qualitative observation that there is more concern among HFs, and the stock is relatively uncrowded compared to its own history, albeit still crowded compared to the market. We believe this potentially creates a more constructive setup into Celestica's analyst day.

- **Corning** is the least crowded stock in our coverage, ranking in the 4th decile, slightly above the median. Corning's crowding has also fluctuated a fair bit, going from very uncrowded (8th decile in April 2025) to be being very crowded (top decile in June) before settling at current levels.

- **Cisco** is somewhat surprising to us, as we had thought the stock would be much less crowded than the rest of the group. While somewhat true (it remains more crowded only compared to CLS and GLW), it has seen a steady increase in crowding since the end of 2024, and is now not far behind Ciena, albeit still much lss crowded than Lumentum, Coherent and Arista.

- **Arista, Lumentum, Coherent and Ciena** are all consistently crowded stocks, generally ranking in the top decile by crowding, other than brief windows when they become less crowded (Coherent in June, Ciena from April to June).

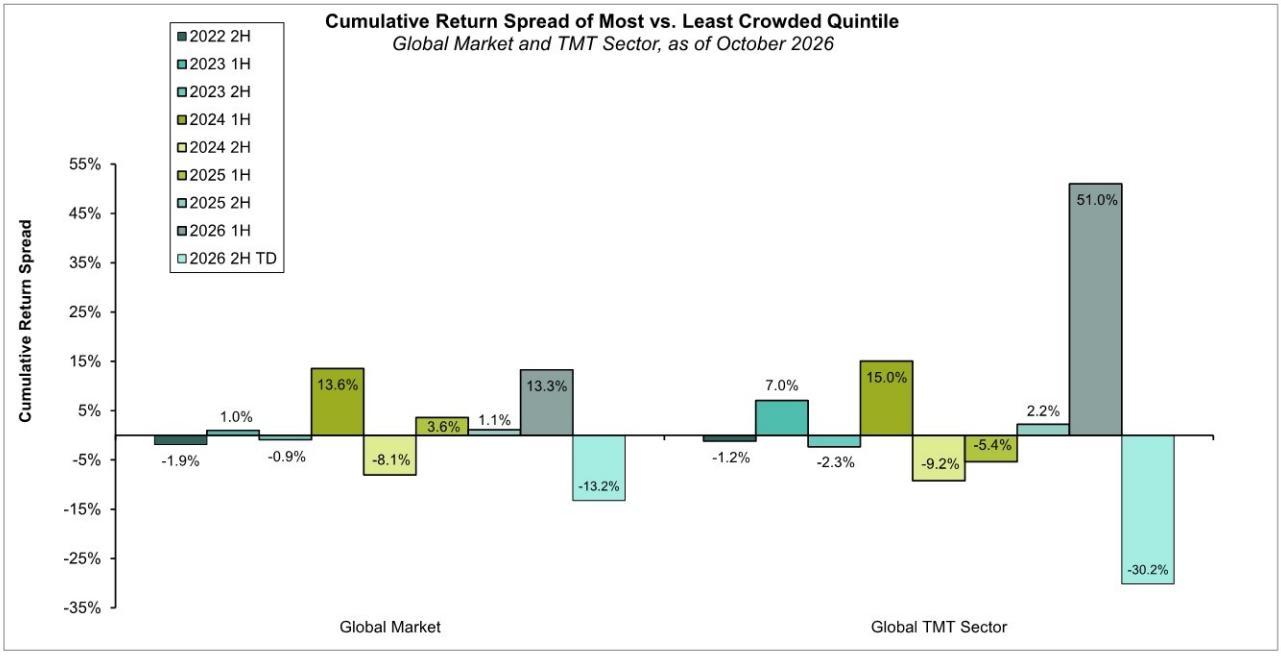
EXHIBIT 18: **Our networking coverage largely all screens as crowded, except for GLW**



Source: MSCI, Factset, Bernstein Analysis

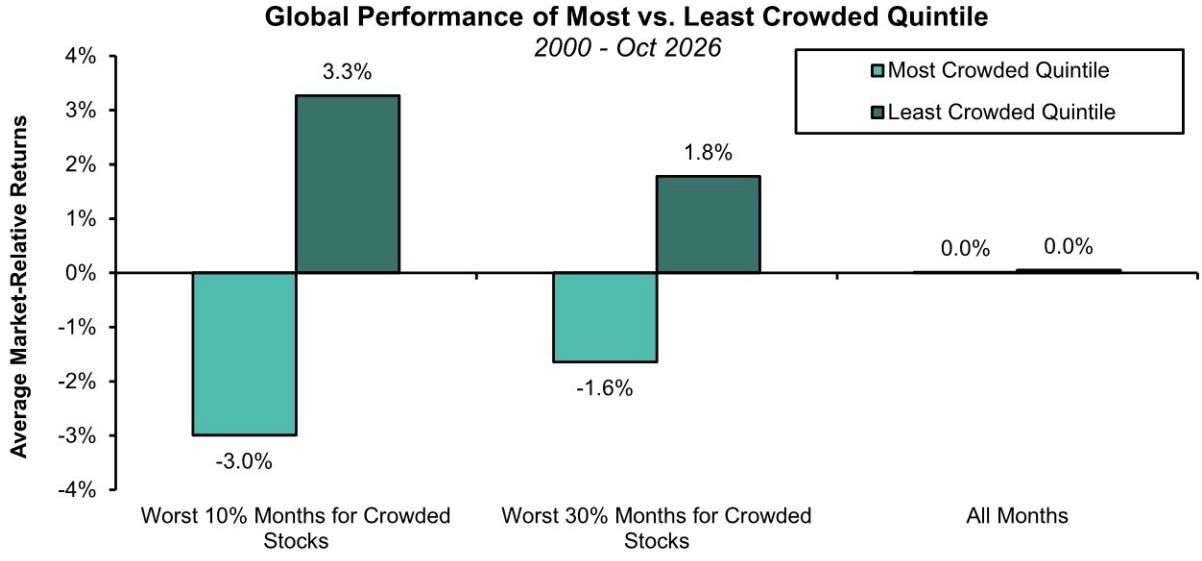
We continue to believe that monitoring exposure to crowded names is critical to risk management. While crowded stocks don't necessarily underperform: for instance, this year crowded stocks outperformed significantly in the first half before seeing a significant reversal (Exhibit 19). Crowded stocks are instead characterized by more severe drawdowns. During drawdowns in crowded trades, less crowded names offer protection in the form of negatively correlated returns (Exhibit 20). These drawdowns in turn correlate with higher volatility, with crowded stocks typically underperforming when the VIX rises to above average levels (Exhibit 21). While the ideal crowding metric would be the positioning of fast money hedge funds, given the difficulty of observing crowding, we estimate crowding using 5 factors as a proxy: active bets, trade persistance, long-term price momentum, sell-side analyst buy ratings, and high expectations with implied achievability (Exhibit 22). For full details on how and why we monitor crowding, see: Quantitative Research: Is It Crowded In Here?, or you can also see the software team's note: Bernstein Software: How crowded is software as we enter H2'26?

EXHIBIT 19: **Outperformance by crowded stocks in 1H has reversed**



Updated as of 10/19
Source: MSCI, Factset, Bernstein analysis

EXHIBIT 20: **Historically, in months when drawdowns in crowded trades are most severe, the least crowded stocks offer protection in the form of negatively correlated returns**



Updated as of 10/19
Source: MSCI, Factset, Bernstein analysis

EXHIBIT 21: **The underperformance of crowded trades is consistent with periods of elevated volatility**

Performance of Most vs. Least Crowded U.S. Stocks
In Months When VIX Spiked Above 20

	Number of Months with Vix Spike	Average Returns (%) High VIX Months	Average Returns (%) All Months
2011	6	-0.5	-0.1
2012	3	-1.4	-0.6
2013	0	-	0.1
2014	0	-	-0.6
2015	1	0.4	0.8
2016	2	-2.0	-1.9
2017	0	-	0.9
2018	2	2.0	0.3
2019	0	-	0.3
2020	10	0.9	1.6
2021	4	-3.4	-0.7
2022	12	-1.4	-1.4
2023	3	-0.2	-0.7
2024	0	-	0.8
2025	3	1.6	0.9
2026	1	-0.2	0.3
Average	3	-0.4	0.0

*2026 is through Sep 30, 2026

Updated as of 10/19
Source: MSCI, Factset, Bernstein analysis

EXHIBIT 22: **We use institutional ownership, sentiment and expectations metrics to measure crowding**

Potential Indications of Crowding	
Factor	Crowded Indication
Active Bets	Number of institutional managers holding the stock as one of their top 20 relative overweights
Trade Persistence	Several consecutive quarters of net purchases by aggregated institutional investors
Long-Term Price Momentum	Strong outperformance over the trailing two years
Sell-Side Analyst Buy Ratings	Shares rated "buy" or equivalent by sell-side analysts
High Expectations with Implied Achievability	Aggressive increases in short- and long-term earnings estimates vs two years ago, combined with high forward P/E multiples

Source: Bernstein analysis

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Stacy A. Rasgon maintains long positions in various crypto currencies.

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