Morgan Stanley | RESEARCH

UPDATE

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Greater China Technology Semiconductors | Asia Pacific

Cloud Semis: Growing Cloud Capex into 2027

Hyperscalers' spending remains strong so far, with further expansion signaled for 2027 amid FCF turning negative. Positive read for cloud semis (Aspeed and Montage).

Key Takeaways

- 2027 capex is highlighted: Microsoft, Google and Amazon flag higher spending; Meta remains committed to aggressive investment.
- Capacity constraints, not budget: Microsoft's delivery delays and Google's third-party computing usage point to infrastructure bottlenecks.
- Cloud semis: Constructive read-through so far. Sustained hyperscaler spending provides a favorable backdrop, with capacity additions raising demand.

2027 capex growth is highlighted: The Big Four hyperscalers' combined C3Q capex was US$185bn, +90% Y/Y. CY2026 guidance stands at approximately US$170bn for Microsoft, US$195–205bn for Google, US$135–145bn for Meta, and US$220bn for Amazon. Google and Amazon maintained guidance; Meta raised its spending floor US$5bn. More importantly, Microsoft expects spending to accelerate in January–June 2027, Google anticipates a significant increase in 2027, and Amazon expects meaningfully higher spending. Meta also plans to keep investing aggressively.

Supply constraints remain the issue: Microsoft reported C3Q26 capex of US $45.2bn and expects C4Q spending >US$50bn, with some capacity deliveries shifting into 1H27. Google invested US$51.4bn and turned to third-party computing late in C3Q to address supply constraints, with usage rising in C4Q. Meta invested US$34.9bn, including finance lease principal payments; Amazon's cash capex reached US$75.9bn. Inference already contributes well over half of AWS AI revenue.

Debating monetization: Microsoft generated US$18.6bn of quarterly FCF and expects positive FCF in FY2027. Google, Meta, and Amazon reported negative quarterly FCF of US$9.1bn, US$2.1bn, and US$33.5bn, respectively. Google also flagged depreciation, data center operating costs, and third-party computing expenses as near-term cloud margin headwinds, alongside TPU inventory cash requirements. Management remains focused on attractive long-term returns.

Cloud semis: Constructive read-through. Sustained server investment supports Aspeed's and Montage's demand outlook; delayed capacity could shift revenue between quarters, but it's just a timing issue. Approximately 75% of Microsoft's C3Q capex targeted short-lived assets, including CPUs, GPUs, and higher memory/storage costs, up from two-thirds mentioned before. Google allocated ~65% to servers and networking.

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GREATER CHINA TECHNOLOGY SEMICONDUCTORS

Asia Pacific
Industry View **Attractive**

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Not-Rated/Hold	2	0%	1	0%	50%	1	0%
Underweight/Sell	570	15%	92	10%	16%	218	13%
Total	3,684		946			1681	

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COMPANY (TICKER)	RATING (AS OF)	PRICE* (10/30/2026)
Charlie Chan		
Advanced Wireless Semiconductor Co (8086.TWO)	U (07/14/2025)	NT$114.00
Alchip Technologies Ltd (3661.TW)	O (05/14/2021)	NT$3,425.00
ASE Technology Holding Co. Ltd. (3711.TW)	O (09/15/2024)	NT$668.00
Cambricon Technology Corporation (688256.SS)	O (04/27/2026)	Rmb880.00

CXMT Corp (688825.SS)	O (08/26/2026)	Rmb41.80
Global Unichip Corp (3443.TW)	O (06/24/2026)	NT$7,635.00
GlobalWafers Co Ltd (6488.TWO)	E (05/19/2026)	NT$756.00
Gudeng Precision (3680.TWO)	O (11/25/2025)	NT$492.50
Hua Hong Semiconductor Ltd (1347.HK)	E (03/12/2026)	HK$60.70
Iluvatar CoreX Semiconductor Co., Ltd. (9903.HK)	O (04/27/2026)	HK$61.50
MediaTek (2454.TW)	O (11/28/2025)	NT$3,915.00
MetaX Integrated Circuits (688802.SS)	E (04/27/2026)	Rmb450.00
Nanya Technology Corp. (2408.TW)	O (05/28/2026)	NT$454.50
Phison Electronics Corp (8299.TWO)	E (02/25/2026)	NT$1,930.00
SG Micro Corp. (300661.SZ)	E (11/03/2025)	Rmb81.43
Silergy Corp. (6415.TW)	U (05/19/2026)	NT$502.00
SMIC (0981.HK)	O (10/21/2025)	HK$42.98
TSMC (2330.TW)	O (02/07/2022)	NT$2,370.00
UMC (2303.TW)	O (05/19/2026)	NT$111.50
Vanguard International Semiconductor (5347.TWO)	U (10/30/2026)	NT$144.00
WIN Semiconductors Corp (3105.TWO)	O (10/29/2026)	NT$578.00
Daisy Dai, CFA		
ASMPT Ltd (0522.HK)	O (07/24/2025)	HK$105.00
China Resources Limited (688396.SS)	U (03/02/2026)	Rmb45.12
Empyrean Technology Co Ltd (301269.SZ)	O (11/02/2026)	Rmb86.17
Hangzhou Silan Co. Ltd. (600460.SS)	U (08/25/2025)	Rmb22.88
Hygon Information Technology Co., Ltd. (688041.SS)	O (07/03/2026)	Rmb170.20
Innoscience (2577.HK)	E (10/13/2025)	HK$27.40
JCET Group Co Ltd (600584.SS)	O (09/16/2026)	Rmb49.00
Shanghai Fudan (1385.HK)	O (03/07/2025)	HK$21.62
SICC Co Ltd (688234.SS)	O (03/20/2026)	Rmb70.42
SJ Semiconductor Corp (688820.SS)	E (09/16/2026)	Rmb74.40
StarPower Semiconductor Ltd (603290.SS)	U (10/31/2026)	Rmb65.05
Unigroup Guoxin Co Ltd (002049.SZ)	U (01/10/2023)	Rmb47.39
Universal Scientific Ind. (Shanghai) (601231.SS)	O (11/05/2025)	Rmb17.84
Yangjie Technology (300373.SZ)	O (06/10/2022)	Rmb70.41
Daniel Yen, CFA		
AP Memory Technology Corp (6531.TW)	O (07/11/2025)	NT$776.00
ASMedia Technology Inc (5269.TW)	U (10/03/2025)	NT$1,465.00
Aspeed Technology (5274.TWO)	O (06/09/2025)	NT$15,970.00
Egis Technology Inc (6462.TWO)	E (01/28/2026)	NT$95.70
Elan Corp (2458.TW)	O (10/03/2025)	NT$125.00
eMemory Technology Inc (3529.TWO)	O (08/18/2026)	NT$2,490.00
Espressif Systems (688018.SS)	O (05/15/2023)	Rmb131.60
GigaDevice Semiconductor Beijing Inc (603986.SS)	O (05/15/2025)	Rmb257.80
Himax Technologies Inc (HIMX.O)	E (02/04/2026)	US$10.87
Macronix International Co Ltd (2337.TW)	O (09/18/2025)	NT$95.40
Montage Technology Co Ltd (6809.HK)	O (03/18/2026)	HK$207.60
Montage Technology Co Ltd (688008.SS)	O (03/18/2026)	Rmb158.30
Novatek (3034.TW)	U (02/04/2026)	NT$575.00
Nuvoton Technology Corporation (4919.TW)	U (11/10/2025)	NT$124.50
Parade Technologies Ltd (4966.TWO)	U (10/29/2026)	NT$469.50
Powerchip Semiconductor Manufacturing Co (6770.TW)	O (10/27/2025)	NT$66.60
Realtek Semiconductor (2379.TW)	E (01/30/2026)	NT$803.00
Shenzhen Goodix Technology Co Ltd (603160.SS)	U (07/14/2025)	Rmb56.73
Silicon Motion (SIMO.O)	O (05/06/2024)	US$208.65
Winbond Electronics Corp (2344.TW)	O (05/28/2026)	NT$164.50
WPG Holdings (3702.TW)	O (03/16/2026)	NT$108.50
WT Co. Ltd. (3036.TW)	O (01/27/2026)	NT$207.00

Henry Zhao		
ACM Research Inc (ACMR.O)	O (03/07/2023)	US$45.47
Advanced Micro-Fabrication Equipment Inc (688012.SS)	O (11/06/2023)	Rmb213.69
Maxscend Co Ltd (300782.SZ)	U (01/11/2021)	Rmb50.10
NAURA Technology Group Co Ltd (002371.SZ)	O (11/06/2023)	Rmb478.74
OmniVision Integrated Circuits Group Inc (603501.SS)	E (10/29/2026)	Rmb82.45
Lucas Wang		
AllRing Tech Co. (6187.TWO)	O (09/23/2025)	NT$1,190.00
FOCI Fiber Optic Communications Inc (3363.TWO)	E (10/09/2026)	NT$474.50
Hon Precision (7769.TW)	O (04/17/2026)	NT$4,950.00
King Yuan Electronics Co Ltd (2449.TW)	O (03/03/2023)	NT$253.50
MPI Corporation (6223.TWO)	O (04/17/2026)	NT$4,610.00

Stock Ratings are subject to change. Please see latest research for each company.
* Historical prices are not split adjusted.

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