

First to Market

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IN THE GLOBAL CHIP RIVALRY, A NEW DRAMA MIGHT BE UNFOLDING



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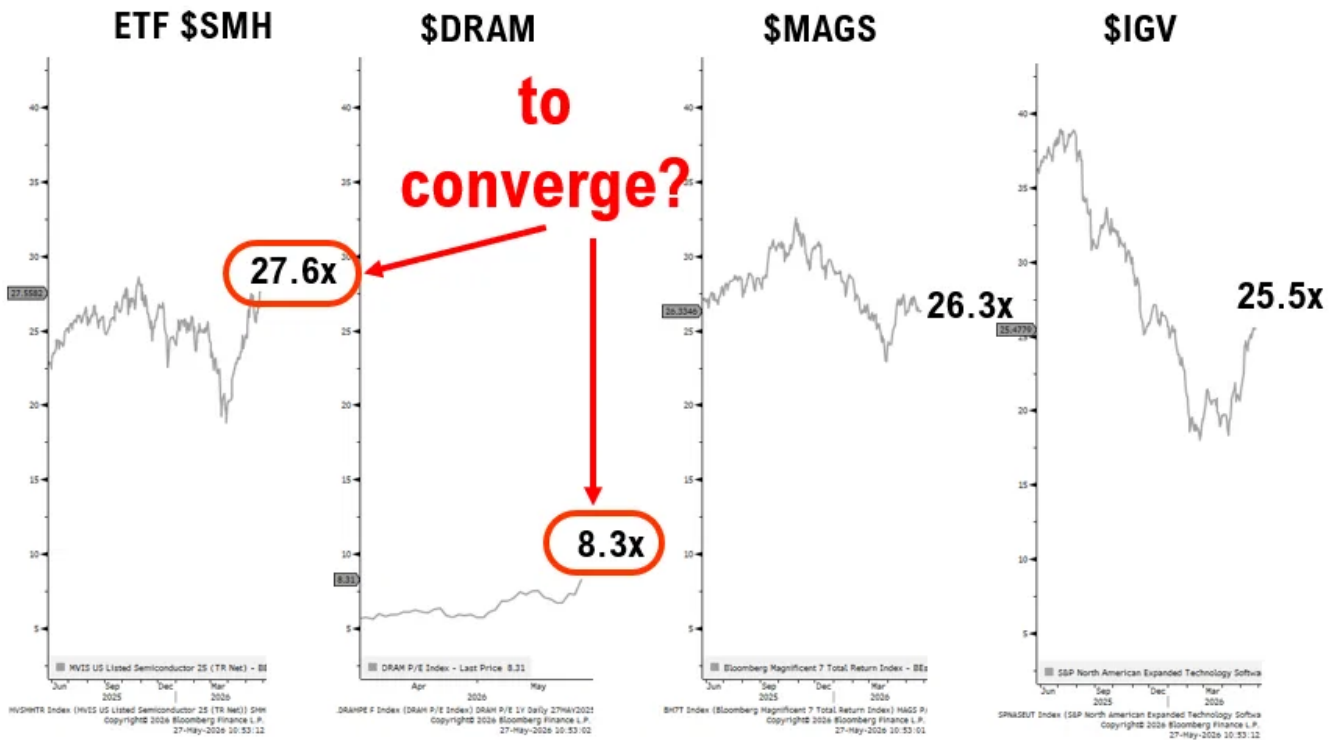
"No physical quantity can continue to change exponentially forever. Your job is delaying forever." – Gordon Moore

Chart of the Day

Technology: Valuations remain reasonable

Major Technology ETFs *NTM P/E*

Past Year, DRAM since 4/2/26



Source: Fundstrat, Bloomberg, FactSet

5/28/2026

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Good morning!

Competition in the semiconductor industry never stops, and yesterday we saw announcements that Nvidia and Intel plan to expand into each others' traditional domains. Nvidia announced plans to release the RTX Spark superchip that combines its Blackwell GPU technology with a CPU co-designed with Taiwan's MediaTek. The RTX will compete in a domain that for years has been dominated by Intel and AMD (with Qualcomm having entered the fray in 2024). Nvidia's Jensen Huang said RTX would differentiate itself with power consumption efficiency geared toward running AI models and agents, a task that typically causes older PC CPUs to drain batteries rapidly. Consumers will be able to try out the chips in laptops from multiple brands, including Microsoft, Dell, Asus, Lenovo, and HP.

Turnabout is fair play, however: Intel announced its Crescent Island line of data-center GPUs that looks to address the exploding demand for AI inference. Intel claims that its offering will offer multiple cost benefits: it will cut manufacturing costs by fabricating in-house instead of contracting out to Taiwan Semiconductor Manufacturing Co. (TSMC). Intel will also bypass the current bottleneck for high-bandwidth memory by instead using lower-cost, more readily available LPDDR5X memory, and because it will purportedly work with air cooling, customers will not need to incorporate complicated liquid-cooling infrastructure.

Amidst this cross-competition, however, it's easy to forget about Chinese semi companies.

For years, a U.S.-led coalition has sought to control China's rise in the chip industry by limiting access to key technologies, most notably the cutting-edge chip lithography machines made by ASML. Western tech executives have warned at various points that this approach comes with risks. As Peter Wennick, then-CEO of ASML, warned in 2024, "There are 1.4 billion Chinese, many of them smart. They come up with solutions we have not yet thought of. You force them to become very innovative," he argued. Last week it seemed that this prediction had come to pass. *Bloomberg News* reported that Huawei Technologies semiconductor chief He Tingbo had pledged to start making 1.4 nm chips by 2031, even without access to ASML EUV (extreme ultraviolet) lithography machines. (For reference, 1.4 nm is roughly how much your fingernails grew while you read this sentence.)

Even though TSMC plans to introduce 1.4 nm chips in 2028, Huawei's announcement is significant for its potential to narrow the performance gap. To be clear, it's not quite the same as achieving a 1.4 nm node: Tingbo herself admitted as much. Yet the company's unorthodox approach still merits attention.

For decades, the semiconductor industry has focused on cramming an ever-growing number of transistors into a given space by making each transistor smaller and smaller. This makes processors faster and more power-efficient.

Huawei is proposing to achieve a similar advantage not through smaller transistors, but with LogicFolding – a proprietary method of making processors by stacking two

or three layers of distinct circuits on top of each other before dicing them into individual processors. In this way, Huawei proposes to use an older 5 nm or even 7 nm fabrication process to create processors with the equivalent transistor density of a true 1.4 nm-class chip.

Stacking is not unheard of: makers of high-bandwidth memory chips are doing it as we speak, and they've been doing it since at least 2013. It's also used for smartphone image sensors and in 3D NAND flash memory chips.

Residents of high-rise apartment buildings can probably suggest some reasons as to why stacking is not more universally adopted. For one thing, stacking multiple circuits on top of each other means that heat tends to get trapped, so overheating becomes much more of a problem (and it was never an insignificant problem to begin with.)

Furthermore, if one layer of circuits is found to be defective after the processors are diced, all the other layers in that processor must be discarded. Viable yields thus become more difficult to achieve. (Using a true 1.4 nm flat architecture, a chip with a defective circuit can just be discarded with no impact on the usability of the remaining chips in the wafer.)

And finally, just as residents on the top floor of a building might complain of inadequate water pressure, voltages heading into the circuits located near the penthouse levels of a stacked chip can be suboptimal, affecting performance.

It's unclear whether Huawei has found workarounds for each of these concerns. The company claims to have been secretly working on the process for six years, and it asserts that the next Kirin smartphone processor (to be unveiled this fall) will incorporate a simplified form of this technology. Though it's not a substitute for EUV lithography, if it works, it would be an innovative and impressive accomplishment in its own right. ASML's Peter Wennick might have been right to be worried, despite all the caveats I've described about Huawei's LogicFolding.

Share your thoughts

Do you think Huawei has a real innovation on their hands? Click [here](#) to send us your response.

Here's what a reader commented

Q: Do you think Apple will finally deliver an AI breakthrough at the WWDC?

A: No question it will. The tortoise and the hare, Apple will win the race.

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Technical

Market breadth was negative today as well, with defensive groups and Financials lagging, and the cross-currents I have been cataloging across recent notes continue to build into a possible near-term inflection point that warrants a close eye in the days ahead.

Crypto

The key takeaway from today's 8-K is that the market reacted poorly to even a relatively small confirmed BTC sale from Strategy. As a result, the tactical bounce thesis discussed on Friday is likely delayed.

News We're Following

Breaking News

- Anthropic just set the stage for a blockbuster IPO — beating OpenAI to the punch MW
- U.S. Presses Neutral Oman to Pick a Side and Cut Ties With Iran WSJ

Markets and economy

- Prominent Short Seller Andrew Left Convicted of Fraud WSJ
- Gold replaces US Treasuries as world’s top reserve asset, ECB says FT
- Software stocks just passed a big milestone CNBC

Business

- Berkshire Is Convinced the American Dream of Homeownership Will Stay Alive WSJ
- Alphabet to sell \$80bn in stock to fund AI spending spree FT
- Microsoft and Google are late to AI coding, but ‘absolutely critical’ they compete for growth CNBC

Politics/U.S.

- Trump Backs Off Plan for \$1.8 Billion Fund That Drew Political Backlash NYT
- California Votes on Newsom’s Successor After Turbulent Primary Campaign NYT

Overseas

- How Deutsche Bank learned to stop chasing America FT
- Eurozone inflation rises to 3.2% in May as ECB prepares to raise rates FT

Of Interest

- As A.I. Makes Strides in Mathematics, Mathematicians Urge Caution NYT
- Can You Get Rich Quick Off A.I. Slop? NYT
- YouTube is now Hollywood’s horror-film pipeline — and the new model for moviemaking MW

Overnight

S&P Futures	-12 ▼ point(s) (-0.15% ▼)
overnight range:	-37 ▼ to -1 ▼ point(s)

APAC

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Nikkei	-0.30% ▼
Topix	-0.42% ▼
China SHCOMP	+0.43% ▲
Hang Seng	+2.52% ▲
Korea	+0.15% ▲
Singapore	+1.18% ▲
Australia	-0.06% ▼
India	+0.43% ▲
Taiwan	+0.48% ▲

Europe

Stoxx 50	+1.04% ▲
Stoxx 600	+0.61% ▲
FTSE 100	+0.17% ▲
DAX	+0.76% ▲
CAC 40	+0.65% ▲
Italy	+1.10% ▲
IBEX	+0.61% ▲

FX

Dollar Index (DXY)	-0.14% ▼ to 99.066
EUR/USD	+0.19% ▲ to 1.1653
GBP/USD	+0.16% ▲ to 1.3475
USD/JPY	-0.07% ▼ to 159.77
USD/CNY	+0.08% ▲ to 6.7615
USD/CNH	+0.07% ▲ to 6.7607

USD/CHF	+0.07% ▲ to 0.7854
USD/CHF	+0.17% ▲ to 0.7854
USD/CAD	-0.03% ▼ to 1.3844
AUD/USD	+0.28% ▲ to 0.7179

UST Term Structure

2Y-3M Spread narrowed	-1.6bps ▼ to 31.2bps
10Y-2Y Spread narrowed	-0.7bps ▼ to 41.1bps
30Y-10Y Spread widened	0.1bps to 51.5bps

USD HY OaS

All Sectors	+0.3bps ▲ to 309bps
All Sectors ex-Energy	+0.6bps ▲ 294bps
Cons Disc	-3.3bps ▼ to 471bps
Indu	+0.5bps ▲ to 243bps
Tech	+0.6bps ▲ to 218bps
Comm Svcs	+1.7bps ▲ to 289bps
Materials	+1.4bps ▲ to 250bps
Energy	+1.5bps ▲ to 284bps
Fin Snr	+1.5bps ▲ to 208bps
Fin Sub	+1.4bps ▲ to 301bps
Cons Staples	+0.5bps ▲ to 426bps
Healthcare	+0.4bps ▲ to 314bps
Utes	+1.2bps ▲ to 206bps *

DATE	TIME	DESCRIPTION	ESTIMATE	LAST
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DATE	TIME	DESCRIPTION	ESTIMATE	LAST
6/2 10:00 AM	Apr	JOLTS	6866	6866
6/3 9:45 AM	May F	S&P Srvcs PMI	51	50.9
6/3 10:00 AM	May	ISM Srvcs PMI	53.8	53.6
6/3 10:00 AM	Apr F	Durable Gds Orders	7.9	7.9
6/4 8:30 AM	1Q F	Nonfarm Productivity	0.4	0.8
6/4 8:30 AM	1Q F	Unit Labor Costs	2.4	2.3
6/5 8:30 AM	May	AHE m/m	0.3	0.2
6/5 8:30 AM	May	Unemployment Rate	4.3	4.3
6/5 8:30 AM	May	Non-farm Payrolls	85	115
6/8 11:00 AM	May	NYFed 1yr Inf Exp	n/a	3.64
6/9 6:00 AM	May	Small Biz Optimisum	n/a	95.9
6/9 8:30 AM	Apr	Trade Balance	n/a	-60.307

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