

What's Hot Today:

► China Chips: Cost-Driven Price Increases

Recently, several Chinese chip vendors, including Micro Semiconductor and Goke Microelectronics, raised prices for selected products. The move mainly reflects upstream cost inflation, with additional pressure from resources shifting toward AI-related high-end segments. Micro Semi increased prices for MCU and NOR Flash, while Goke applied stepwise hikes to packaged KGD chips.

Upstream costs across the semiconductor chain continue to rise: Prices of core metal raw materials including copper, tin and silver have been trending higher, driving up the costs of packaging materials such as lead frames and substrates. At the same time, tight supply of critical consumables like photoresist, coupled with extended lead times, has lifted total manufacturing costs. These factors are pushing up the cost baseline across the entire value chain.

Foundries are seeing structural tightness in mature nodes and specialty processes. Global leaders such as TSMC and Samsung are directing new capacity to advanced nodes and higher value products, leaving limited incremental supply for mature processes. In China, SMIC and Hua Hong are running mature-node capacity at high utilization, with some lines at full load. With higher input costs and tight capacity, foundry pricing is inevitably rising, lifting wafer costs and passing them downstream.

Packaging and testing are becoming a key lever for performance: Advanced packing technology can substantially improve chip performance. Technologies currently adopted by AI chips such as CoWoS, 2.5D/3D, and Chiplets are much more demanding in the production process and hence command higher costs. In the chip-making value chain, advanced packaging is transitioning from a back-end step to a key value layer. It empowers breakthroughs transcending Moore's Law and serves as the critical core for elevating chip performance. In some AI chips, its value and cost weight is now close to advanced-node wafer manufacturing.

Our views: This round of price increases is mainly cost pass-through but highly sustainable. Chip vendors are adjusting prices to offset higher production costs. However, AI demand provide strong support to advanced nodes and advanced packaging, pulling resources towards high-end production which in turn adds cost pressure in certain categories. As such, advanced-node and advanced-packaging segments are expected to benefit most and have higher profit visibility.

China & HK Indices	CLOSE	1D	YTD
HSI	27,968	0.5%	9.1%
HSCEI	9,552	0.4%	7.2%
HSCCI	4,470	1.7%	11.3%
CSI300	4,753	0.8%	2.7%
Shanghai A	4,360	0.2%	4.7%
Shanghai B	265	-0.1%	4.7%
Shenzhen A	2,830	-0.5%	6.9%
Shenzhen B	1,265	1.1%	0.1%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	49,071	0.1%	2.1%
S&P 500	6,969	-0.1%	1.8%
Nasdaq	23,685	-0.7%	1.9%
Nikkei Index	53,290	-0.2%	5.9%
FTSE Index	10,171	0.2%	2.4%
CAC Index	8,071	0.1%	-1.0%
DAX Index	24,309	-2.1%	-0.7%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	5,375	-0.8%	25.8%
STEEL (US\$/oz.)	2,935	0.6%	15.4%
SILVER (US\$/oz.)	115	-0.9%	65.0%
CRUDE OIL (US\$/bbl)	65	3.5%	13.9%
COPPER (US\$/oz.)	13,618	4.7%	9.6%
ALUMINIUM (US\$/oz.)	3,218	0.4%	7.4%
PLATINUM (US\$/oz.)	2,643	-2.2%	29.0%
ZINC (US\$/oz.)	3,412	1.8%	9.4%
WHEAT (US\$/bu)	541	3.5%	6.8%
CORN (US\$/bu)	430	1.0%	-2.2%
SUGAR (US\$/lb)	76	8.2%	
SOYBEAN (US\$/bu)	1,072	0.5%	2.4%
PVC (US\$/t.)	4,896	-0.3%	2.5%
CRB	323	1.9%	3.0%
BDI			7.4%

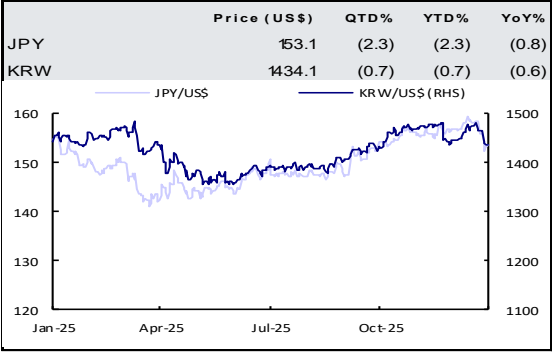
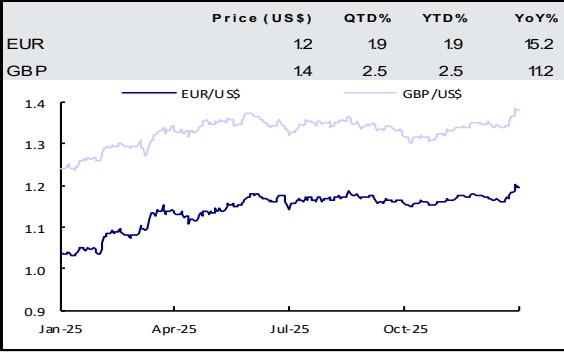
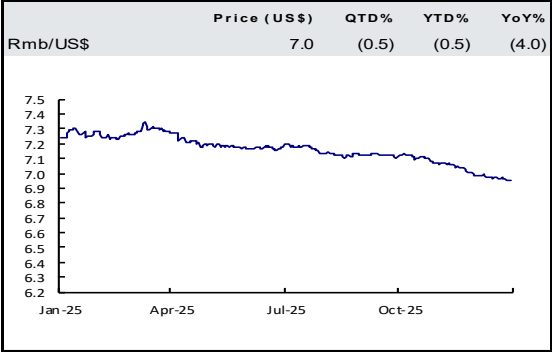
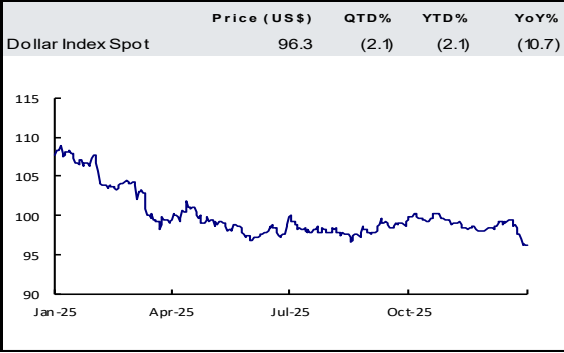
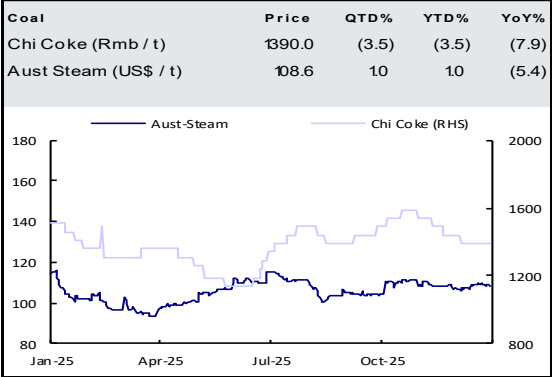
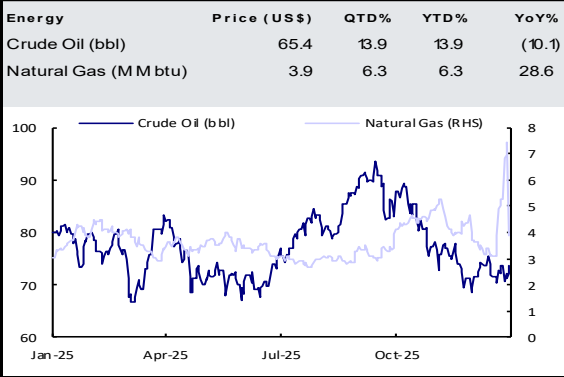
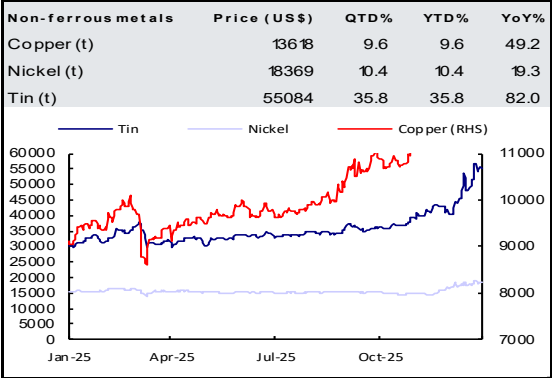
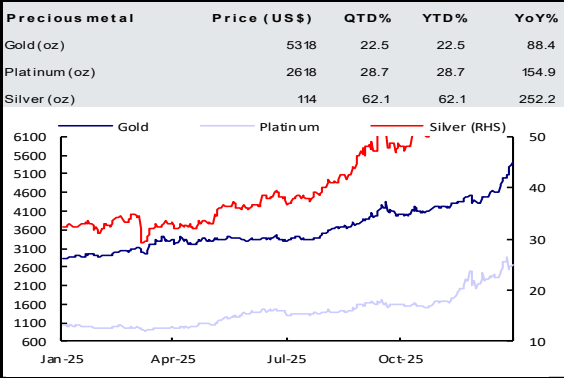
Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.806	0.835	153.110	0.764	6.952
HKD	0.128		0.107	19.615	9.791	0.891
EUR	1.197	9.344		183.290	1.093	8.314
JPY	0.007	5.099	0.546		0.499	0.045
CHF	1.308	10.213	1.093	200.363		9.076
RMB	0.144	1.123	0.120	22.011	0.110	

Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y		
Greece	N/A	N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIX	16	7.9%

Source: Bloomberg

We favor JCET Group Co (600584 SH, RMB48.98, RMB87.6bn) as it is the world's third-largest and China's top advanced packaging provider, with multiple technical routes. We also like Tongfu Microelectronics Co (002156 SZ, RMB51.47, RMB78.1bn) for its strategic ties with AMD and is a core packaging service partner for the company. These two companies are trading at 56x and 61x FY25E P/E, respectively. (Research Department)

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Durable Goods Orders	MoM		29-Jan-26
Trade Balance	MoM		29-Jan-26
PPI	MoM		30-Jan-26
ISM Manufacturing PMI	MoM		2-Feb-26
Employment Report	MoM		6-Feb-26
Retail Sales	MoM		10-Feb-26
Business Inventories	MoM		10-Feb-26
Housing Starts / Building Permits	MoM		18-Feb-26
Personal Income & Spending	MoM		20-Feb-26
New home Sales	MoM		20-Feb-26
Factory Orders	MoM		29-Jan-26
Initial Jobless Claims	WoW		29-Jan-26
Wholesale Inventories	MoM		29-Jan-26
CPI	MoM		11-Feb-26
Existing Home Sales	MoM		12-Feb-26
Industrial Production	MoM		18-Feb-26
GDP	QoQ		20-Feb-26
Consumer Confidence	MoM		24-Feb-26
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
PMI Manufacturing	MoM		31-Jan-26
Foreign Exchange Reserves	QoQ		7-Feb-26
Money Supply - M2	MoM		9-Feb-26
PPI	MoM		11-Feb-26
CPI	MoM		11-Feb-26
Trade Balance	MoM		14-Apr-26
Retail Sales	MoM		16-Apr-26
Industrial Production	MoM		16-Apr-26
GDP	YoY		16-Apr-26

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Money Supply - M2	MoM		30-Jan-26
GDP	QoQ		30-Jan-26
Retail Sales	MoM		3-Feb-26
PMI	MoM		4-Feb-26
Foreign Currency Reserve	MoM		6-Feb-26
Unemployment Rate	MoM		20-Feb-26
CPI	MoM		25-Feb-26
Trade Balance	MoM		27-Feb-26
Producer Prices Index	QoQ		13-Mar-26
Industrial Production	QoQ		13-Mar-26
Composite Interest Rate	MoM		

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