



Semiconductors have been one of the strongest parts of global equity markets so far in 2026, with performance supported by a powerful mix of demand and improving fundamentals. The headlines have focused on artificial intelligence (AI), but the opportunity set is broader than a single theme or a handful of companies. As AI infrastructure expands, it is driving investment not only in high-performance computing chips, but also in the networking and power technologies that keep modern data centres running. At the same time, parts of the industry outside AI are showing early signs of stabilisation and recovery.

Global tech and semiconductors: what's been driving returns and what to watch next

Key points:

- Semiconductors have led global markets in 2026, outperforming broader equities, with gains across multiple chip segments.
- AI infrastructure is the main driver, lifting demand for compute, networking, and power-related chips.
- Recovery is uneven beyond AI: industrial and auto are improving, while PCs and smartphones remain challenged.
- Supply chains are becoming more resilient and localised, supporting ongoing investment in manufacturing and equipment.
- Opportunities appear in connectivity, selective compute and power, and equipment, while risks include consumer softness, cycle swings, and potential policy or geopolitical shifts.

Semiconductors have been one of the strongest forces behind global equity returns so far in 2026¹, outperforming broader markets. Importantly, the strength hasn't been confined to one corner of the

industry. Gains have been seen across artificial intelligence (AI) compute and graphic processing units (GPUs), memory, analogue and power semiconductors, and the equipment and manufacturing tools that enable chip production.

Several factors have helped power that momentum. First, the global build-out of AI infrastructure continues to accelerate. As more companies invest in the computing power needed to train and run AI models, demand has lifted many parts of the semiconductor ecosystem – not only the most visible “AI chip” names, but also the connectivity, power, and manufacturing layers behind the scenes.

Second, memory has re-entered a more supportive phase, with expansion and pricing dynamics contributing to improved sentiment. Third, earnings momentum has strengthened, with upward revisions supporting share prices. And fourth, the capital spending cycle – in semiconductor equipment – has been improving, helped by both accelerating investment and signs of capital discipline.

There is also a structural backdrop that matters for investors: government policy support and ongoing

¹ Manulife Investment Management, Bloomberg data from Nasdaq100, MSCI World Index, MSCI ACWI, S&P500, April 2026.

supply-chain localisation efforts. As more countries prioritise domestic resilience in strategic industries, investment is being encouraged across different parts of the value chain. From an industry perspective, this can create a longer runway for equipment spending and selected capacity-related investment.

How the semiconductor cycle is evolving beyond AI

While AI has been the headline driver, it's not the only story. After several quarters of "digestion" in non-AI markets, many areas are stabilising or improving. Industrial and automotive end markets, in particular, appear to be in the early stages of recovery, still below prior cycle peaks.

In industrial markets, manufacturing purchasing managers' index (PMI) data has improved over recent months, with major regions moving back into expansion territory. Aerospace and defence spending has also been supportive, and longer-term themes such as robotics continue to act as tailwinds.

In autos, inventory levels are reported to be back around target levels. That may allow the market to grow more in line with underlying "content growth" (the steady increase in semiconductor content per vehicle), with potential for additional upside if broader restocking emerges.

Consumer markets look more mixed. Personal computers (PCs) and handsets are described as more challenged, partly due to rising memory prices, with forecasts pointing to roughly double-digit unit declines for both categories in 2026. For investors, that reinforces an important point: "semiconductors" is not a single cycle. Different end markets can move in different directions at the same time.

Supply chain resilience and export controls: a calmer risk backdrop so far

While geopolitics remains a watch point for global technology supply chains, the current assessment is that the semiconductor supply chain still looks robust, with controlled risk from geopolitical disruptions. Many supply chains have been diversifying since the first Trump administration, and the ongoing trend toward deglobalisation is

expected to keep driving a focus on domestic resiliency.

One implication is particularly relevant: this push for resilience is viewed as supportive for equipment spending, because building and modernising supply capacity typically requires tools, manufacturing processes, and infrastructure upgrades.

On export controls, the view is that they represent a smaller risk than a year ago. While developments are still being monitored, the expectation is that export controls will not have a significant impact on the overall semiconductor industry.

A practical way to think about AI infrastructure: compute, networking, and power

To understand where the opportunities may be broadening, it helps to break AI infrastructure into three building blocks:

- Compute: the chips that process AI workloads
- Networking: the "connective tissue" that links systems together
- Power management: the components and architectures that help power increasingly complex data centres.

A key conviction expressed in the current approach is networking. As AI systems become more complex, large-scale operators are increasingly focused on resiliency and connectivity. Notably, as the number of compute nodes rises, the number of network connections can grow even faster, creating a potentially powerful demand curve for connectivity-related semiconductor solutions.

Within compute, there is an emphasis on central processing units (CPUs) alongside GPUs, linked to expectations around "agentic" AI. The idea is that as AI moves toward more autonomous, task-driven systems, CPU needs could rise materially. The view shared is that agentic AI could increase the CPU-to-GPU ratio significantly over time.

Power is also becoming more central. As data centres scale and evolve, power management challenges grow. Semiconductor content is expected to rise meaningfully as 800V architecture begins to be introduced, supporting opportunities in

analogue and power-related businesses as well as adjacent supply-chain ideas.

Opportunities and risks to watch

We believe opportunities appear across geographies and subsegments, with particular focus on data-centre connectivity and capital equipment. The durability of global AI investment remains a central belief, supported by changing ROI dynamics across the value chain.

At the same time, opportunity is not viewed as limited to hardware alone. There is also an ongoing interest in select software companies that enable AI, particularly where tailwinds in data management and security are strengthening. The reason is that, in some areas, the gap between business fundamentals and market narratives may be unusually wide, creating selective opportunities.

Risks remain, however. Consumer weakness in PCs and handsets is one near-term challenge. Another is that, even with improving confidence, semiconductor cycles can shift quickly if end demand, pricing, or capital spending assumptions change. And while export controls are viewed as less of a risk than a year ago, policy can evolve, and supply chains, however robust, are not immune to shocks.

Bottom line

Semiconductors have been leading global markets in 2026, and the industry is increasingly being shaped by AI infrastructure build-out, improving fundamentals, and structural shifts toward resilience and localisation. At the same time, the opportunity set appears to be widening beyond the most obvious AI names – toward networking, power, equipment, and select enablers that help manage and secure the growing data backbone of AI.

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