

ASML and TSMC earnings Can they restore confidence in the AI trade

Saxo Bank · 2026-10-13 · English original

Key points:

- ASML and TSMC report earnings on 14 and 15 October, respectively, at a time when semiconductor stocks are under pressure despite strong AI fundamentals.
- ASML's EUV production capacity plans and pricing outlook will be critical in assessing whether equipment supply can keep pace with demand, while TSMC's margins and forward guidance will provide a clearer picture of AI chip demand.
- Strong results could help restore confidence in the AI trade, but with expectations already elevated, investors will be looking for evidence that earnings growth can continue into 2027.

Why these earnings matter

The AI trade is facing a confidence test. After a strong first half, semiconductor stocks have come under pressure as higher bond yields, geopolitical uncertainty and concerns about the scale of AI capital expenditure have prompted investors to reassess valuations. The recent selloff across US and Asian chipmakers suggests that strong demand alone may no longer be enough to sustain the rally.

This makes earnings from two of the industry's most important companies particularly significant. ASML, which supplies the advanced lithography machines required to manufacture leading-edge chips, reports on Wednesday, 14 October. TSMC, which manufactures advanced processors for companies including Nvidia and Apple, follows on Thursday, 15 October.

Together, their results offer a useful health check on the AI investment cycle. TSMC tells us whether demand for advanced chips continues to accelerate, while ASML tells us whether chipmakers are investing in enough equipment to meet that demand.

Both companies have entered this earnings season with strong fundamentals. TSMC has already reported Q3 revenue of NT\$1.49 trillion, up around 51% year-on-year and above its previous guidance. ASML raised its full-year outlook in July as chipmakers accelerated their capacity expansion plans.

The key question is whether forward guidance can reassure investors that AI investment is still translating into sustainable growth rather than simply higher spending.

1. ASML's EUV capacity: Can equipment supply keep up with AI demand?

For ASML, the focus has shifted from quarterly orders to its ability to expand production. The company no longer reports quarterly booking figures because orders can fluctuate significantly between quarters, making its capacity targets and delivery outlook more important indicators of demand.

ASML expects to produce approximately 65 low-NA extreme ultraviolet (EUV) machines in 2026 and plans to increase capacity by 30% to around 85 units in 2027. It is also exploring another 30% increase

in 2028, potentially taking capacity to around 110 machines annually.

These systems, costing roughly €200 million each, are essential for manufacturing advanced semiconductors. They also take more than a year to deliver, which means today's expansion decisions reflect expectations for demand well into the future.

An upgrade to EUV capacity targets would be a strong signal of confidence in the AI investment cycle. But investors should also watch execution risks, particularly whether ASML can shorten manufacturing lead times and scale production without compromising margins.

2. TSMC's AI demand: Can advanced chips sustain record growth?

TSMC has already delivered impressive revenue growth, but investors will want to know whether momentum can continue into 2027.

Demand for advanced 3nm and 2nm chips, alongside CoWoS advanced packaging capacity, remains central to the AI story. The key question is whether capacity constraints are easing and whether major customers are committing to another year of strong orders.

TSMC's expansion plans will also be closely watched. Its significant investment commitments in Arizona and potential additional manufacturing capacity in Texas offer opportunities to diversify production, but they also bring higher costs and execution risks.

3. Margins, pricing and 2027 guidance: Can growth remain profitable?

Both companies are expected to deliver strong revenue growth, but profitability will be important in determining whether earnings expectations can rise further.

ASML's pricing power is an emerging focus. Management has indicated greater flexibility to adjust prices as EUV productivity improves, potentially adding another earnings driver alongside increased machine deliveries. Investors will watch for indications of pricing increases, customer resistance and any impact on future margins.

TSMC's gross margin guidance of 65–67% will be another key test, particularly as overseas manufacturing expansion adds costs.

For both companies, the outlook for 2027 could matter more than the headline Q3 numbers. Investors will be looking for stronger capacity commitments, margin resilience and confidence that AI-related demand can support another year of robust earnings growth.

Key numbers to watch

Sources: ASML and TSMC company guidance; Bloomberg.

What could this mean for investors?

Bullish scenario: Higher EUV capacity targets from ASML, stronger pricing power and an upbeat 2027 outlook from TSMC could provide the reassurance investors are looking for. This would reinforce the view that AI investment is progressing from chip demand into sustained manufacturing expansion, potentially supporting a recovery across semiconductor equipment makers, foundries and the broader AI value chain.

Bearish scenario: Unchanged or cautious capacity guidance, softer margins or signs that chipmakers are slowing expansion plans could disappoint investors, even if Q3 results are strong. Higher bond

yields, export restrictions, Taiwan-related geopolitical risks and concerns about AI spending returns could continue to weigh on valuations.

The bigger picture

The recent semiconductor selloff highlights how much optimism is already reflected in AI-related stocks. These earnings are an opportunity for ASML and TSMC to rebuild confidence, but the market will need more than another strong quarter.

For investors, TSMC needs to demonstrate that AI demand remains durable, while ASML needs to show that the industry is prepared to invest in meeting that demand. Together, their guidance could help determine whether the recent weakness is a temporary reset in expectations or the beginning of a more sustained reassessment of the AI trade.

Source: <https://www.home.saxo/content/articles/equities/asml-and-tsmc-earnings-can-they-restore-confidence-in-the-ai-trade-13102026>