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The Chip Sell-off Everyone Fears Is the Best News in the Market

Spec writing sample, written in the voice of Ken Fisher for The Business Times (Singapore). By Michelle Burleson.

In a single session this week, the Kospi fell nearly 10 per cent from a record high, tripping a circuit breaker that froze trading in Seoul. SK Hynix and Samsung Electronics each shed more than 12 per cent. Tokyo's Nikkei fell about 3 per cent, and futures in New York pointed lower. The perma-bears wasted no time. The artificial-intelligence boom, they declared, had finally met its reckoning.

Now, put panic aside and re-read those headlines. The threat here is mostly a paper tiger. Nothing in one brutal session changed the global supply and demand for memory chips. Only sentiment changed, and sentiment is the shifting sands of finance. The sell-off is not evidence the boom is ending. It's proof of how easily investors can be spooked, and that skittishness is one of the most bullish things about this market.

Keep this pullback in perspective. Even after it, the Kospi has roughly tripled over the past year, driven by the very chip demand the sellers now doubt. A market that climbs that far does not hand the gains back without the occasional violent lurch. The lurch is not the tale. What drove the climb is.

What drove the climb is still accelerating. The world cannot make enough memory. Prices for the DRAM in laptops and phones leapt roughly 90 per cent in a single quarter early this year, then more than half again in the next. Manufacturers are rationing supply. Scarcity that severe is not a warning. It is what real, surging demand looks like when production cannot keep pace, and the firms at the centre of it sit, mostly, in our part of the world.

Three of these firms account for well over 95 per cent of global DRAM: Samsung, SK Hynix and Micron. They have shifted the bulk of their capacity to high-bandwidth memory, the specialised stacks that feed AI accelerators, and data centres now absorb close to 70 per cent of the world's high-end supply. SK Hynix has reportedly sold out its entire 2026 output. Samsung's profit has nearly tripled. The benefit runs down the chain through Taiwan, Korea, Japan, Malaysia and Singapore, to the foundries, the test houses and the equipment makers this region's investors know well.

The supply gap is the widest since 2011, and there is no quick fix in sight, because the new plants that might close it are years from producing a single usable wafer. A shortage that runs for years, driven by demand that keeps outrunning every forecast, is not a fad, a meme or hype. It is a secular shift, and the manufacturers steering scarce capacity towards the product that pays best are behaving rationally, not recklessly.

Which leaves us with ‘The Worry.’ Is this a bubble about to burst? That the question sits on every desk should reassure you, not alarm you. Manias die of euphoria, when no one can picture the sheer cliff in front of them and every doubt gets waved away. We are nowhere close.

What did the panicked sellers fail to consider? Samsung changes hands at roughly six times forward earnings and SK Hynix near five, a fraction of the multiples that defined the dot-com mania the bears keep resurrecting. Those are not bubble prices. They are fair prices on companies whose earnings are still climbing. Think back to March, when Google revealed a memory-saving technique and chip shares slid on fears the boom was going bust. Sentiment that quick to jump ship is the opposite of a top. It is a wall of worry, and bull markets climb these exact walls brick by brick.

The error in a boom like this is seldom believing the trend. It is throwing discipline aside while chasing the single hottest name at any price, only to learn that a great company and a great investment are not the same thing. The sounder path for the globally diversified investor is to hold the theme broadly and patiently, across regions and across the chain, and let the demand do the work that frantic trading never can.

So try this instead: When the next alarming headline about chip prices pops up on your screen, resist the urge to take the “bad news” bait. The scarcity is the rocket. Their fear is the petrol. The investor who can tell the two apart will fare far better than the one who ducks for cover at every lorry backfire.

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