



## Better Semiconductor Stock: AMD vs. Nvidia

### Description

When was the last time you bought a PC or a mobile device?

Semiconductor stocks witnessed spectacular pandemic-related growth in two years as everyone upgraded their devices while staying at home. For anyone in the PC business, it was like making three years of sales in two. And now, the market is feeling the pinch of this over-demand. Semiconductor stocks saw a [sharp correction](#) this year, with **Advanced Micro Devices** ([NASDAQ:AMD](#)) and **Nvidia** ([NASDAQ:NVDA](#)) stocks down over 60%.

This dip is an opportunity to double or triple your Tax-Free Savings Account ([TFSA](#)) portfolio in the next three years. But the question is which stocks to buy the dip? Let's look at the bulls and bears of AMD and Nvidia and identify which is a better [semiconductor](#) stock for your TFSA.

### The short-term bears of AMD and Nvidia

According to [Gartner](#), worldwide PC shipments reported their steepest-ever decline of 19.5% year-over-year in the third quarter. Europe, the Middle East, and Africa reported the sharpest dip of 26.4%.

This demand weakness is related to the fact that many businesses lowered their technology spending due to geopolitical and economic uncertainties. Moreover, there was a PC oversupply as the chip shortage eased. Some analysts also claimed that PC builders delayed purchases until the launch of AMD's Zen 4 platform, RDNA3 GPUs, and Nvidia's RTX 40-series. If the last reason is true, AMD and Nvidia stock could be in for a treat this holiday season.

AMD and Nvidia both lowered their third-quarter revenue guidance. AMD lowered its third-quarter revenue guidance to US\$5.6 billion from US\$6.7 billion due to PC demand weakness. Nvidia reported weak third-quarter revenue guidance of US\$5.9 billion, down 17% year-over-year. The revenue is impacted by weak PC shipments and the dumping of second-hand graphics processing units (GPUs) by crypto miners.

To add to the troubles, the Biden administration imposed restrictions on chip exports to China,

considering it a national threat. Nvidia is affected by this restriction as its A100 and H100 data center GPUs falls under this ban, eating up [US\\$400 million](#) in quarterly sales. Furthermore, AMD's and Nvidia's third-party chip manufacturer **TSMC** reduced its 2022 capital equipment spending by US\$4 billion. This hints at a prolonged weakness in smartphone and PC chip demand.

A looming recession and geopolitical tensions will likely continue to weaken demand for the rest of 2022 and early 2023.

## The long-term bulls of AMD and Nvidia

PCs are just one part of AMD's (~30%) and Nvidia's revenue. You no longer need a PC to access data and the internet. Technology is moving to the cloud, [artificial intelligence](#) (AI), and embedded devices like we're seeing in automotive. Hence, the two companies have been investing in the future.

AMD acquired Xilinx to tap the high-performance and adaptive computing opportunity. Xilinx's field-programmable gate arrays (FPGAs) and adaptive systems on chips (SoCs) increased AMD's addressable market to \$135 billion in 2023 and \$300 billion by 2028. Xilinx helped AMD enter the communications infrastructure market. Even after the acquisition, AMD has \$6 billion in cash reserves that will allow it to invest in research and development even during a recession.

Nvidia wanted to acquire ARM Holdings to use the latter's mobile computing central processing unit (CPU) for robotics, AI, and the cloud. But it terminated the deal due to regulatory challenges. However, this does not stop Nvidia from leading the AI and supercomputing space with its most advanced GPUs.

Nvidia is ahead of AMD in high-performance GPUs for PC gaming, augmented virtualization, and data centers. But AMD has a more diversified product portfolio of CPU, SoC, FPGA, and GPU. They both have secular demand for their products and will benefit from the autonomous vehicle (AV) and AI wave. Their stocks are trading near their 52-week lows and are likely to fall further. Now is a good time to buy these stocks.

## Which is a better semiconductor stock?

If your TFSA limit only has room for one stock, I would pick AMD because it has a more attractive valuation and a better chance of higher capital appreciation. Nvidia offers growth plus an annual dividend of \$0.16.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NASDAQ:AMD (Advanced Micro Devices)
2. NASDAQ:NVDA (NVIDIA Corporation)
3. NYSE:TSM (Taiwan Semiconductor Manufacturing Company Limited)

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1. agraff
2. pujatayal

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#### **Author**

pujatayal

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