



2 Top Semiconductor Stocks To Buy in October

Description

The semiconductor industry is in a downturn this year after remarkable growth in 2020 and 2021. What pulled semiconductor stocks down? Is now a good time to buy these stocks and book your seat in the steep rally ready to take off once the economy revives?

Why invest in semiconductor stocks?

The chip industry suffered supply constraints as the pandemic-induced lockdown closed chip fabrication facilities while demand surged. The chip demand was driven by PCs, mobile phones, electric vehicles (EVs), and crypto-related graphics processing units (GPUs). But the 2022 tech meltdown reduced PC shipments, and the crypto bubble burst reduced GPU demand. Just when semiconductor supply constraints were easing, the United States banned the export of advanced chips to China, one of the largest markets for semiconductors.

But these challenges have created an opportunity. The Biden administration's [CHIPS and Science Act](#) promotes semiconductor manufacturing and research in the United States. The act has spurred nearly US\$50 billion in additional investment in semiconductor fabrication facilities in America.

These investments will take time to materialize. By that time, the recession will have eased, and the pent-up demand for PCs and EVs returned. Moreover, the [5G](#) rollout will kick-start the proliferation of internet of things (IoT) devices. October is the time to buy semiconductor stocks while they trade near their 52-week lows.

While the **VanEck Semiconductor ETF** is a great choice to capture the industry's growth, here are two stocks specifically for your Tax-Free Savings Account (TFSA). Read further if you want to know what is so special about the two stocks.

Micron stock – Walking down the memory lane

Micron Technology ([NASDAQ:MU](#)) is the largest memory chipmaker in the United States and third

largest in the world. There are two types of memory chips; dynamic random access memory (DRAM) and NAND Flash. DRAM is used to enhance the performance of PCs, mobile, server, and edge devices, whereas NAND Flash is used to store data. The growing need for high-computing performance continues to drive demand for memory content per device.

Memory chips are so important that China tried to access its intellectual property (IP) in 2018 by bidding to acquire U.S. chipmakers, including Micron. Memory chips are commoditized, which means there is not much difference in the memory chip of any two companies. Thus, demand and supply drive memory prices, making their stocks cyclical.

The trick to trade in cyclical stocks is to buy in the [downturn](#) and sell in the upturn. Micron has an advantage because America is looking to promote domestically manufactured goods. The company is investing US\$40 billion in memory chip manufacturing, which will increase America's share in the memory chip market to 10% over the next decade from less than 2%.

Micron stock is down 45% from its peak and trading near its pandemic level of US\$54. Weak PC and mobile shipments and a slowdown in EV sales are pushing the memory chip market into a cyclical downturn. Now is the time to buy the stock because it could surge over 80% in an upturn, as it did after the 2018 trade war and 2020 pandemic.

AMD stock

Like all semiconductor stocks, **Advanced Micro Devices** ([NASDAQ:AMD](#)) also suffered from the crypto bubble burst and PC market downturn. Gartner reports showed the steepest dip of 19.5% year over year in third-quarter PC shipments. AMD reduced its third-quarter revenue guidance by over US\$1 billion to US\$5.6 billion.

Key takeaway

You can buy the above two U.S. stocks through your TFSA and double your money in five years.

But this does not impact AMD's technical moat and upcoming opportunities. In February, it completed the Xilinx acquisition, adding field-programmable gate arrays (FPGAs) and adaptive systems on chips (SoCs) to its portfolio. FPGAs are used in 5G network infrastructure and artificial intelligence (AI) at the edge. This broader portfolio will help AMD tap the high-performance and adaptive computing opportunity, increasing its addressable market to US\$135 billion.

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1. Investing
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2. NASDAQ:MU (Micron Technology, Inc.)

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