



KC Rajkumar, CFA, PhD

(408) 425-5680

KC@LynxEq.com

MU: A butterfly flaps its wings in Asia

South Korea casts an outsized shadow on the global electronics supply chain. The shocking series of events in S Korea over the past 24 hours, a country known for its political stability, is sending shivers down the supply chain in Asia, already on edge due to the trade uncertainty radiating from the US. MU may be an accidental beneficiary.

--XX--

The Won lost: The Korean Won was down as much as 2.8% overnight after the surprise declaring of martial law by the President. Over the next 24 hours as the lawmakers of both parties voted down the President's declaration and after the President lifted martial law, the Won recovered to down 1% from its pre-martial law level. We note that forex shocks on the order of 100bps is hugely problematic for global supply chains.

Cost of imports: Even if Korean politics return to status quo, the damage to the credibility of the nation's currency may linger. Overnight, the Japanese Yen strengthened against the Korean Won. The Japanese Yen may matter more directly to the Korean economy than the USD. Cost of imports from Japan, a major supplier of raw materials to Korea's silicon fabs, is likely to spike up. And as a result, the price of silicon chip exports out of Korea too is likely to move up.

Feedback from the Taiwan supply chain suggests that there is marked concern. The prices of commodity memory products in Taiwan reacted almost immediately. While it may take days for prices to settle down, we are hearing commodity **NAND flash prices jumped 2%-3%** overnight. The abrupt jump in flash price is an added burden to PC ODMs, whose margins run typically below 10% and are faced with a weak demand environment.

MU – an accidental beneficiary: Upward movement in Korean memory prices could be a positive for MU, especially as its USD denominated input prices are relatively insulated from the Won volatility. On the flip side, currency fluctuation could have knock-on effect of suppressing end demand for consumer goods, which may reduce the demand for MU's memory products.

Trading call: A stabilization in falling memory prices could be **positive for MU. And WDC.** We maintain our \$110 PT for MU.

Disclosures and Disclaimers

Lynx Equity Strategies, LLC is an independent equity research provider. The Company is not a registered broker dealer or investment adviser. No employee or member of the Company, or immediate family member thereof, exercises investment discretion over securities of any issuer analyzed in this report two days prior and/or two days after this report is issued. It participates in "Alpha Capture Systems" that seeks investment or trading ideas from the sell-side and may pay for the participation based on relative performance.

Limitations of Information

This report has been prepared for distribution to only qualified institutional or professional clients of Lynx Equity Strategies, LLC (the "Company"). The contents of this report represent the views, opinions, and analyses of its authors. The information contained herein does not constitute financial, legal, tax or any other advice. All third-party data presented herein were obtained from publicly available sources which are believed to be reliable; however, the Company makes no warranty, express or implied, concerning the accuracy or completeness of such information. In no event shall the Company be responsible or liable for the correctness of, or update to, any such material or for any damage or lost opportunities resulting from use of this data. Nothing contained in this report or any distribution by the Company should be construed as any offer to sell, or any solicitation of an offer to buy, any security or investment. Any material received should not be construed as individualized investment advice. Investment decisions should be made as part of an overall portfolio strategy and you should consult with a professional financial advisor, legal and tax advisor prior to making any investment decision. Lynx Equity Strategies, LLC shall not be liable for any direct or indirect, incidental or consequential loss or damage (including loss of profits, revenue or goodwill) arising from any investment decisions based on information obtained from Lynx Equity Strategies, LLC. Reproduction and Distribution Strictly Prohibited. No user of this report may reproduce, copy, distribute, sell, resell, transmit, transfer, license, assign or publish the report itself or any information contained therein. This report is not intended to be available or distributed for any purpose that would be deemed unlawful or otherwise prohibited by any local, state, national or international laws or regulations or would otherwise subject the Company to registration or regulation of any kind within such jurisdiction.

Copyright, Trademarks, Intellectual Property

Unless otherwise indicated, all copyrights, trademarks, service marks, logos and other intellectual property included in this report are proprietary materials of Lynx Equity Strategies, LLC and the unauthorized use of such terms, marks, and logos is strictly prohibited. The Company reserves all rights with respect to the intellectual property ownership of all materials in this report and will enforce such rights to the full extent permissible by law.