

# Profitable INVESTING Tips

## Stock Market Investing Tips, Techniques, and Resources



### China and Investment Risk

By: [www.ProfitableInvestingTips.com](http://www.ProfitableInvestingTips.com)

The world's greatest economic powers are heading into a new Cold War unlike anything we have seen for more than thirty years. The recent [ban on advanced chip technology](#) to China is just part of the puzzle of China and investment risk. Many US companies have substantial exposure to China in terms of manufacturing there, sales to Chinese customers, or both. Which stocks are at the greatest risk as relations between China and the USA cool?

### Reliance of US Companies of China As a Market

Apple comes to mind when most folks think about companies with business exposure to China but, according to *Yahoo Finance*, only 17% of Apple's revenue is from [sales in China](#). Similar to Apple, Caterpillar, General Motors, Boeing, Nike, Ford, and Starbucks do business in China but none surpasses 25% of their revenue from there. It turns out that the US companies with the most to lose from loss of sales to Chinese customers as a group are the chipmakers. But they are not at the top of the list.

### Is Casino Revenue from China At Risk?

The top US company in terms of revenue generated in China is Wynn Resorts with their three Macau casinos. 75.2% of Wynn earnings worldwide come from these three operations. In the near term Wynn Resorts problems in China do not stem from global power struggles between the US and China but rather from [Covid lockdown](#) risks. Wynn has been [sufficiently cozy](#) with the Chinese that Wynn operations could be spared any retribution in a global power struggle. Nevertheless, the company is most at risk for losses should China do a wholesale purge of Western businesses.

### US Company Manufacturing in China

It is our opinion that if China chooses to retaliate for the ban of advanced chips and chip technology it will deny US companies sales within China rather than close their factories in China. This is simply because cutting off sales immediately hurts the bottom line of a US company. Many companies rely on China to produce their products so closing down those operations would be hugely disruptive as companies would need to relocate and probably pay more for the same results.

However, China's currently struggling economy would be hurt. Thus we do not see that happening but rather a partial shutdown of access to China's markets seems possible.

### Chipmaker Risks in China

China became the [leading industrial power](#) in the world by volume of goods because it offered the world cheap labor combined with efficient management (typically Japanese) and advanced manufacturing

equipment (German). When it gained access to global markets through world trade agreements it found the sweet spot. Primarily China (like Japan before it) made cheap products cheaper and more efficiently. Now China's leadership is moving to become as dominant in advanced products as it is in common products. It has cornered the market on strategic minerals, [lithium](#) batteries, and the like. The next step is moving the front of the ranks for advanced computer chips. Chinese chip making is two to three generations behind companies like Taiwan Semiconductor, Samsung, Intel, and a whole host of US chipmakers. The goal of the ban on technology export and sharing is to keep them there. The ban will not include normal computer chips but rather the most advanced chips and technologies.

### **Sorting Out Who Sells Chips to Mainland China**

The US government clearly has a good idea of who is selling what to China but in order to analyze the situation we need data. Tijori Finance data used in the *Yahoo Finance* article only includes companies in the S&P 500 and is based on "ship to China" location info. Unfortunately, some companies include both Taiwan and mainland China as one. Some break out Hong Kong. Some only identify Asia as a shipping location. Amazon, for example, lumps all foreign sales together.

### **Qualcomm Risk in China**

Qualcomm follows Wynn Resorts in exposure to China for level of risk as 66.6% of its chip revenue comes from shipments to China for smartphone vendors like Lenovo, Vivo, Oppo, OnePlus, and Xiaomi as these folks rely on Qualcomm chips. Micron Technology follows at 57.1% of revenue based on USB flash drives and NAND flash memory. Next in line is Qorvo which specializes in systems for broadband and wireless communications like radio frequency systems. And Broadcom gets half of its revenue from China based on infrastructure software products, design, and development. Add Texas Instruments at 44.3% and you have the top US chip companies with revenue exposure to China. To the extent that these folks are selling chips based on technology that China already has and not the most advanced chips or technology we do not expect them to be included in any ban.

We do not expect immediate damage to most US chipmakers because China needs their products. The ones that will be hurt will be smaller companies with a large part of their earnings dependent on R & D work assisting China's attempts to upgrade their chips to the next generation. To the extent that the chip giants do that it is only a small part of their profits.

For more insights and useful information about investments and investing, visit [www.ProfitableInvestingTips.com](http://www.ProfitableInvestingTips.com).

**FREE training materials.**

**Free Weekly Investing Webinars**

**Don't miss these free training events!**

**<http://www.profitableinvestingtips.com/free-webinar>**

**Forex Conspiracy Report**

**Read every word of this report!**

<http://www.forexconspiracyreport.com>

**Get 12 Free Japanese Candlestick Videos**

**Includes training for all 12 major candlestick signals.**

<http://www.candlestickforums.com>

**Disclaimer:** Trading and investing involves significant financial risk and is not suitable for everyone. No content on this document should be considered as financial, trading, or investing advice. All information is intended for educational purposes only.