



PHILEQUITY CORNER

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Halftime Report

The first half of 2024 defied expectations in financial markets. The Nasdaq Composite, S&P 500, and MSCI All-Country World Index (ACWI) all reached unprecedented heights despite concerns over tech stock concentration and its stretched valuations. In a parallel display of defying the odds, the Philippine national basketball team, Gilas Pilipinas, stunned the world last week with a surprising upset against world No. 6 Latvia on their own home turf.

This halftime report delves into key performance trends across asset classes, examining the interplay of divergent monetary policies, tech disruption, and geopolitical tensions shaping global markets.

MegaTech and AI fuel stock market surge

US stocks, led by Nvidia's staggering 159% gain, drove the ACWI's record-breaking rally. The tech-heavy Nasdaq Composite and the broader S&P 500 index climbed 18.1% and 14.5%, respectively. This was fueled by the continued dominance of big tech and the semiconductor industry, key beneficiaries of the artificial intelligence (AI) revolution.

Japan's Nikkei also reached new heights, surpassing its 1989 peak with an 18.3% gain. Meanwhile, Taiwan emerged as a leader in the Asian markets, buoyed by soaring demand for its semiconductors used in AI, 5G, and high-performance computing.

Major markets	1H2024	Emerging Asia	1H2024
Japan	18.30%	Taiwan	28.50%
US (Nasdaq)	18.10%	Vietnam	10.20%
US (S&P 500)	14.50%	India	9.40%
Italy	9.20%	Malaysia	9.30%
Norway	8.90%	South Korea	5.40%
Germany	8.90%	Hong Kong	3.90%
Spain	8.30%	Singapore	2.90%
Stoxx 50	8.20%	Australia	2.30%
UK	5.60%	China (SHCOMP)	-0.30%
US (Dow Jones index)	3.80%	Philippines	-0.60%
Russia	0.80%	Indonesia	-2.90%
France	-0.80%	Thailand	-8.10%

Commodity markets: Energy up, grains down

Energy commodities surged in the first half of the year due to production cuts by OPEC+, geopolitical tensions in the Middle East, and projected increase in energy usage from the growing datacenter demands of the AI revolution. Brent and West Texas Intermediate (WTI) crude oil prices rose 12.2% and 13.8%, respectively. Gasoline prices surged 20.3%.

Industrial metals had a robust performance, with copper and tin prices seeing substantial gains due to strong demand from China, supply disruptions, and expected expansion of power infrastructure to meet the requirements of AI datacenters. Precious metals like gold and silver also posted strong gains. Gold reached a new all-time high early this year due to central bank purchases and strong demand from retail investors.

In contrast, grain prices experienced a decline due to favorable weather conditions, with corn and wheat prices dropping considerably. Meanwhile, the soft commodities market saw cocoa prices soar by an impressive 84.25%.

Energy	1H2024	Agriculture	1H2024
RBOB Gasoline	20.30%	Palm Oil	8.60%
Crude WTI Oil	13.80%	Rough Rice	-2.00%
Crude Brent Oil	12.20%	Soybean	-11.10%
Natural Gas	3.50%	Wheat	-11.90%
Industrial Metals		Corn	-15.70%
Tin	29.00%	Softs	
Copper	12.90%	Cocoa	84.25%
Zinc	8.00%	Orange Juice	32.20%
Aluminum	5.90%	Coffee	20.45%
Nickel	4.00%	Sugar	-1.36%
Precious Metals		Livestock	
Silver	22.71%	Lean hogs	31.66%
Gold	12.93%	Live cattle	10.05%

US dollar strengthens amid policy divergence

The US dollar index (DXY) closed the first half of 2024 with a robust 4.47% gain, supported by the Federal Reserve's hawkish monetary policy compared to dovish stances of other central banks. Among major currencies, the British pound remained relatively stable against the US dollar, while the Japanese yen weakened significantly, falling 12.33%.

Major currencies	1H2024	Asian Currencies	1H2024
US Dollar Index	4.47%	Indian Rupee	-0.22%
British Pound	-0.67%	Chinese Yuan	-2.30%
Australian Dollar	-2.08%	Malaysian Ringgit	-2.62%
Euro	-2.95%	Singaporean Dollar	-2.63%
Canadian Dollar	-3.19%	Vietnamese Dong	-4.66%
Norwegian Krone	-4.74%	Philippine Peso	-5.49%
Swiss Franc	-6.39%	Taiwanese Dollar	-5.73%
Japanese Yen	-12.33%	Indonesian Rupiah	-5.96%
		Korean Won	-6.20%
		Thai Baht	-6.81%

Philippine stock market seeks second half rebound

As the second half of 2024 unfolds, these questions loom: Will the US dollar continue to dominate? Will established leaders like big tech and semiconductors continue to lead the equities market? Or could underperformers like the Philippine stock market stage a surprising comeback, mirroring the inspiring victory of Gilas Pilipinas?

The answers may lie in the complex interplay of central bank policies, tech advancements, and geopolitical events, including the pivotal US presidential elections. These factors will undoubtedly shape the winners and losers in the months ahead. The fate of the Philippine stock market could hinge on the continuation of the global equities rally and its ability to broaden beyond the current market leaders.