



PHILEQUITY CORNER

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Trump victory sows fear in Philippine stocks

Trump's election victory set off shockwaves in global markets as investors braced for a new era of US economic policy, featuring sweeping tax cuts, punitive tariffs, and a trade showdown with China on the horizon. US stocks and Bitcoin surged to record highs, US bond yields climbed, and the US dollar strengthened, triggering a broad sell-off in emerging markets. Philippine stocks and the peso joined the rout, testing key support levels as investors weighed the risks of US protectionism and a larger fiscal deficit.

Philippine stocks and peso under pressure

Philippine stocks tumbled last week following Trump's presidential victory, joining a broader retreat across emerging markets. The Philippine Stock Exchange Index (PSEi) dropped 2.11% on Thursday to close at 7,014.44, extending Wednesday's 1.27% decline. The benchmark index fell further on Friday, slipping another 0.53% to end at 6,977 and breaking below the 7,000-support level. The peso tested its June low against the dollar at 58.90. Foreign funds scrambled to safety on fears that smaller emerging markets like the Philippines will be caught in the crossfire.

US stocks soar to post-election records

US markets experienced their biggest post-election rally since 1896, contrasting sharply with the sell-off in Philippine assets. The Nasdaq Composite and S&P 500 jumped 5.74% and 4.68% for the week, respectively, both hitting record highs. The S&P 500 reached an all-time intraday high of 6,012.45, surpassing the 6,000 level for the first time, before closing at 5,995.53 last Friday. Markets cheered Trump's victory and Republican control of Congress as a green light for tax cuts and deregulation. The Russell 2000 Index of smaller companies surged 8.74%, marking its best week in more than four years.

US banks surge on deregulation & rising yields

US banks led the US rally as investors bet on looser regulations under Trump. Goldman Sachs, JP Morgan Chase, and Morgan Stanley each surged more than 10% as investors expect the new administration to ease capital rules and merger approvals. Rising Treasury yields further boosted bank stocks on prospects of higher net interest income – the difference between earnings on loans and payments to depositors. The Fed cutting policy rates also leads to a steeper yield curve which is positive for banks. Investors also anticipate Trump's proposed tax cuts and high deficit spending will keep yields elevated.

Big tech rallies on regulatory relief

Technology stocks surged as investors bet on a lighter regulatory approach under Trump. Tesla shares surged 15%, while Nvidia gained 4.1%, a day after surpassing Apple as the world's most valuable company. Alphabet which was recently under antitrust scrutiny advanced 4%. Industry leaders like Tesla CEO Elon Musk, a vocal Trump supporter, are betting on favorable policies from the new administration.

Bitcoin surges on Trump policy hopes

Bitcoin hit new record highs above \$75,000 as crypto traders bet on friendlier oversight under Trump after years of regulatory crackdowns. During his campaign, Trump accepted Bitcoin donations and made headlines by paying for a meal at a New York City bar in Bitcoin. At a campaign rally, he declared his intention for the US to become the “crypto capital of the planet” and a “Bitcoin superpower.”

Oil slides on more US production

Oil prices fell as markets priced in Trump’s pledge to ramp up US drilling and cut energy costs. His campaign slogan of “drill baby drill” will encourage more domestic oil production. Trump has vowed to reverse Biden’s climate policies, which he criticized as “industry-killing” and “pro-China.” His stance against renewables, which he calls unreliable and costly, signals a potential surge in US production that could pressure global oil prices.

China and Europe ETFs slump on trade fears

Trump’s tariff threats took a toll on major trading partners, with the MSCI China ETF (MCHI) falling 2.7% and GlobalX FTSE Southeast Asian ETF (ASEA) down 2.2% the day following his election. European markets also retreated, as the MSCI France ETF (EWQ) and MSCI Germany ETF (EWG) dropped 2.5% and 2.9%, respectively, amid fears of escalating trade tensions.

Bond yields surge on inflation risk

Treasury yields climbed as investors anticipated higher inflation under Trump’s policies. The yield on US 2-year notes jumped to 4.21%, the highest since July, while 10-year rates reached 4.48%. Rising import costs from tariffs will fuel inflation, while a higher fiscal deficit resulting from tax cuts is expected to keep yields elevated. This combination has sparked a sell-off in bonds.

Philippines in the crossfire of Trump’s policies

This divergence between Philippine and US assets last week shows the uneven impact of Trump’s policies, with the Philippines suffering as collateral damage in the escalating US-China trade war. Despite the Federal Reserve’s 25 basis-point rate cut, concerns over policy-induced inflation driven by tax cuts and tariffs suggest the central bank may ease less aggressively than anticipated. This supports a strong dollar, reducing the scope for emerging economies like the Philippines to adjust their monetary policies.