



# PHILEQUITY CORNER

By Wilson Sy

## Trump clobbers Philippine stocks

Philippine stocks tumbled 8.9% since Trump's election victory and are down 13% from their 2024 peak. The rout is part of a broader emerging market exodus as Trump's renewed "America First" agenda pushes investors back to US safe haven assets. In contrast to Philippine losses, US markets continued to make historic highs with the Dow gaining 7.5%, S&P 500 5.6 % and Nasdaq 5.7% since November 5.

US stock markets have attracted \$121 billion in November alone and \$230 billion quarter-to-date. The flows reflect US economic resilience and tech sector dominance in AI and cloud computing. The US economy continues to outperform the rest of the world, pushing investors away from emerging markets.

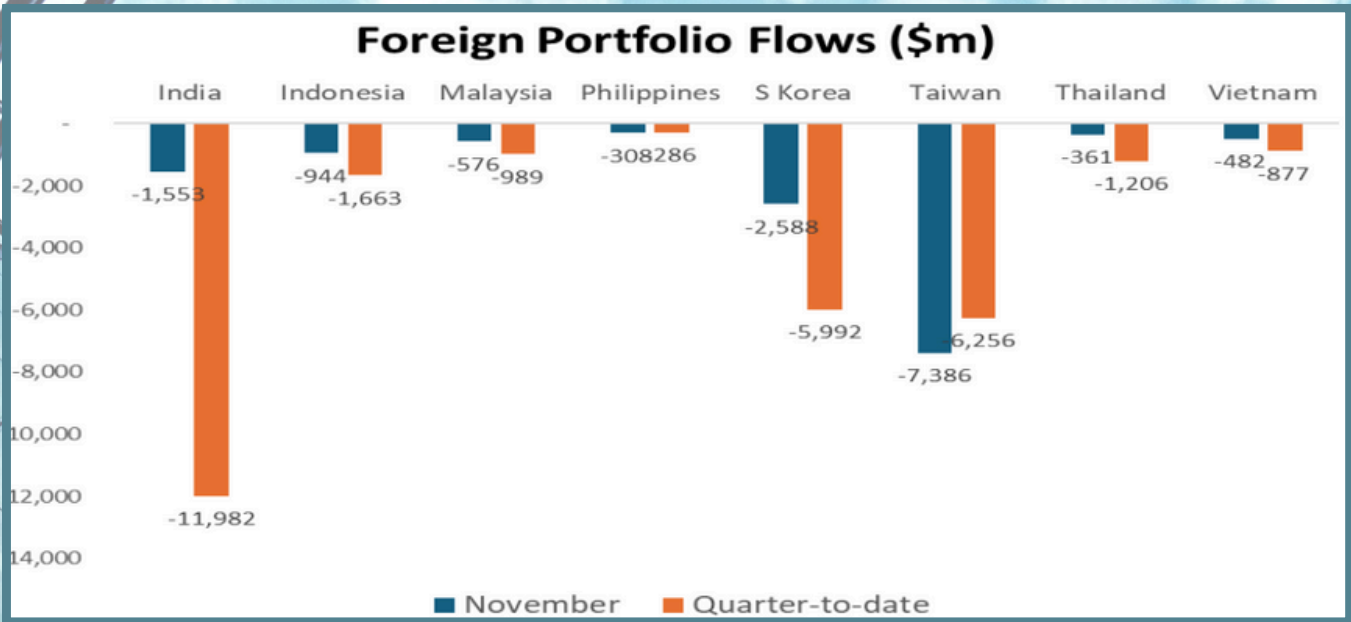
## Yields surge, dollar gains as Trump wins

US Treasury yields and the dollar rallied after Trump's victory stoked inflation fears. Investors brace for proposed tax cuts, tariffs, illegal migrant deportation and escalating trade tensions against China, Mexico, Canada and Europe (see USA vs. the World 2.0, November 18). The prospect of fewer Fed rate cuts through 2025 has further dampened sentiment on EM assets. The US dollar index (DXY) has gained 2.2% since November 5. The Philippine peso is down 0.5% and most Asian currencies had larger losses (see Is Trump bad for the peso?, November 25).

## Asian EM hit by capital exodus

The impact has been particularly severe in Asia's largest markets. India, Taiwan and South Korea bore the brunt of Asia's emerging market selloff as investors dumped risky assets. India saw \$12 billion exit so far this quarter, while Taiwan and South Korea lost \$6.3 billion and \$6 billion respectively.

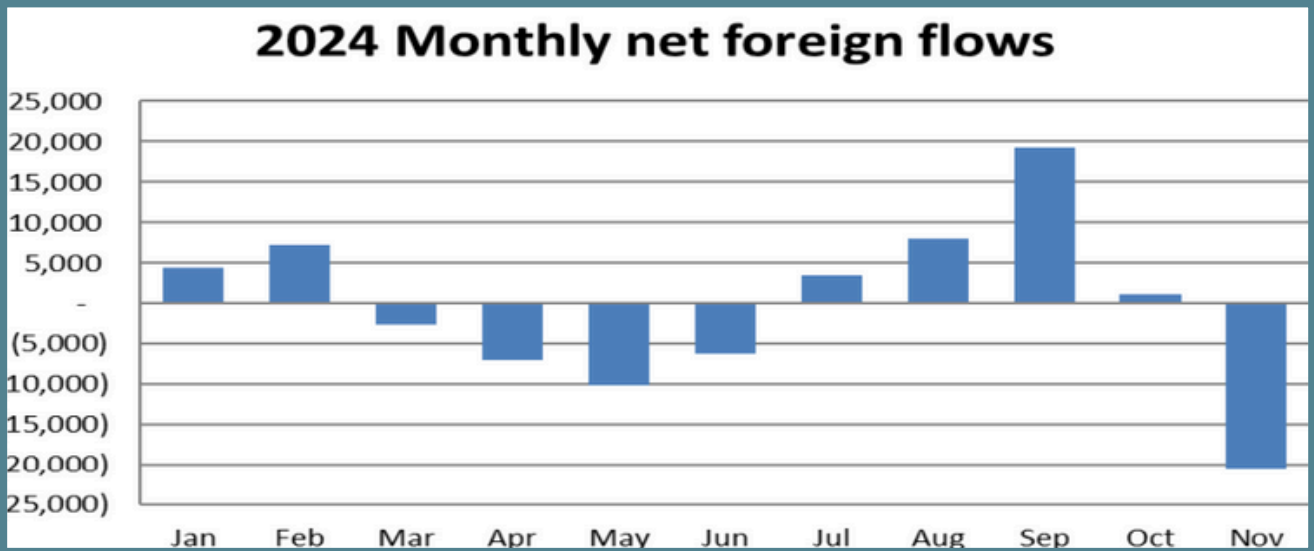
Taiwan leads November outflows at \$7.4 billion, followed by South Korea's \$2.6 billion and India's \$1.6 billion. The selloff spread to smaller markets including the Philippines, Vietnam, Malaysia and Thailand.



Source: Bloomberg, Wealth Securities Research

### Biggest outflows since the pandemic

Emerging markets are suffering their biggest fund outflows since the pandemic. Reflecting this broader trend, the Philippine market swung from P19 billion in September inflows to P20.4 billion in November outflows. The reversal has erased net inflows for the year as investors shifted back to US assets. The bulk of the selling followed Trump's November 5 election victory.



Source: PSE, Wealth Securities Research

### Wall Street embraces Bessent as Treasury pick

In a positive development, Scott Bessent, founder of hedge fund Key Square Group and former top Soros executive will lead the US Treasury Department. Wall Street has embraced the market veteran as a moderating force in Trump's cabinet. Investors expect Bessent to advocate for scaled-back tariffs while focusing on deregulation and deficit reduction. This has sparked hope for more measured and reasonable Trump policies.

## Philippines edges closer to 'A' rating

Another positive news is S&P Global Ratings lifting the Philippines' credit outlook to positive amid the market turbulence. The rating agency cited fiscal reforms, infrastructure improvements and policy stability, moving the sovereign rating closer to its targeted "A" rating.

"We have a comprehensive Road to A initiative to ensure that we secure more upgrades soon," Finance Secretary Ralph Recto said, pointing to the country's fiscal consolidation efforts.

## When elephants fight, the ants are crushed

"When elephants fight, the ants are crushed" - Khmer proverb that captures how the weak suffer when powerful forces clash - aptly describes smaller emerging markets' current predicament.

The Philippines, like other emerging markets, faces headwinds from foreign fund outflows and dollar strength. The Philippine stock market has been hurt badly by the exodus of foreign funds back to the US. This shows that smaller, more vulnerable countries bear the brunt of trade wars.

## America wins, everybody loses?

Most economic theories state that trade wars - trade barriers, higher tariffs - and other protectionist and isolationist policies hurt most economies. The question remains: Will Trump's "Make America Great Again" strategy help America prosper at the expense of other countries? Will this lead to global retaliation and a lose-lose scenario? Or will a more rational and moderate policy direction from Trump result in a US-led economic expansion that lifts all markets where everybody wins?