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PHILEQUITY CORNER

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US market's epic comeback

US stocks have staged an epic comeback, erasing \$8 trillion of losses in what has become the fastest recovery pace since the 1980s. The tech-heavy Nasdaq 100 now stands two percent higher for the year as of Friday's close, while the broader S&P 500 has climbed back into positive territory with a 1.3 percent gain. The sharp reversal comes after both indexes had briefly plunged into bear market territory.

Trade truce boosts market sentiment

The catalyst for the market's historic turnaround is the breakthrough in US-China trade relations. The trade talks held in Geneva on May 10-11 between US Treasury Secretary Scott Bessent, Trade Representative Jamieson Greer and Chinese Vice Premier He Lifeng resulted in a significant de-escalation of tensions. The negotiations produced a 90-day tariff rollback that took effect Wednesday, slashing US duties on Chinese goods from 145 percent to 30 percent, while China reduced its tariffs on American products from 125 percent to 10 percent. The virtual embargo between US and China has been avoided.

Investors embrace diplomatic progress

Markets responded positively to the statement released May 12. This outlined plans for a new consultation mechanism and China's commitment to ease certain non-tariff measures, including export restrictions on critical rare earth minerals. Investors have embraced what officials from both countries are calling a "truce" to prevent further economic decoupling.

Middle East deals amplify rally

President Trump's Middle East tour has further fueled the market rally with a series of economic agreements. Saudi Arabia pledged \$600 billion in US investments over four years during Trump's May 13 Riyadh visit which spans the energy, defense and technology sectors. The economic diplomacy continued with US tech giants committing \$80 billion alongside Saudi partners for emerging technologies. Qatar agreed to purchase 160 Boeing jets in a deal Trump valued at \$200 billion, while the UAE signed agreements worth \$200 billion, including substantial aircraft orders, energy partnerships and an AI development initiative with Nvidia.

Bear to bull in record time

The market's V-shaped recovery has been nothing short of extraordinary, with the Nasdaq 100 flipping from bear to bull market in just 27 trading days. After plummeting 25.6 percent from its Feb. 19 peak to its April 7 trough, the tech-heavy index has surged an impressive 29.5 percent through May 16, a pace that has caught many institutional investors flat-footed.



Wall Street reverses course

The market's swift recovery has forced many Wall Street firms to rapidly revise their outlooks. Goldman Sachs raised its year-end S&P 500 target back to 6,100 after downgrading it to 5,900 following the US-China tariff truce, citing reduced trade tensions and lower recession risk. The firm also upgraded Chinese equities to an overweight rating, signaling renewed global market confidence. JPMorgan abandoned its earlier US recession call on May 14, with strategists noting the "dialing down of some of the more draconian tariffs" should reduce the risk that the US economy slips into recession this year.

Dual AI superpowers emerge

Despite ongoing US chip export restrictions, China is accelerating its push for AI tech independence. Chinese companies are making impressive progress with low-cost AI models like DeepSeek and homegrown chips such as Huawei's Ascend 910C. It may be best to spread investments across US tech giants and emerging Chinese AI firms for balanced exposure.

In a previous article, we mentioned that "while cracks in US exceptionalism are widening, many American corporates remain exceptional – such as Nvidia, Google, Amazon, Microsoft, Apple and Meta – boasting high margins and robust profitability (see Warnings from Finance Titans, April 14)." Investing in these outstanding companies will allow investors to withstand market volatility.



Global AI race expands beyond US and China

The global AI race is heating up beyond the US and China. Countries like the UAE, India, Singapore, Saudi Arabia and others are aggressively building their own AI ecosystems. The UAE is strengthening its “UAE Stargate” AI hub through ties with US tech leaders Nvidia, Cisco, Oracle and OpenAI. Meanwhile, Saudi Arabia’s “Humain Initiative” is tapping Nvidia’s 18,000 Blackwell AI chips for a massive 500-megawatt data center, alongside deals in with AMD and Qualcomm.

The AI boom is too big for one country to dominate. With innovation hubs thriving worldwide, the tech sector looks poised for sustained growth regardless of uncertainty caused by the tariff wars.

Caution amid the comeback

After the sharp rally, the market appears due for consolidation. Volatility may persist as trade negotiations continue, and Trump’s unpredictable and erratic announcements could quickly shift sentiment. Adding to uncertainty, Moody’s downgraded US credit rating after Friday’s close, which may raise Treasury yields and dampen enthusiasm for US assets. The market’s reaction to this news will test the resilience of the remarkable recovery.