



PHILEQUITY CORNER

By Wilson Sy

Have we seen the bottom in Philippine stocks?

Three weeks ago, we wrote an article titled "Has the AI bubble burst?" We cited financial experts calling for a correction and warning that the powerful rally in U.S. tech had stretched both valuations and sentiment. Indeed, the US markets finally pulled back. The Nasdaq 100 saw a peak-to-trough decline of 9 percent, snapping a seven-month winning streak. The S&P 500 dropped as much as 5 percent.

Nasdaq down, PSEi up

In contrast, the Philippine stock market has turned decisively higher. The PSE index closed at 6,022.24 last Friday, up 7.8 percent from its five-year low of 5,584. After years of persistent underperformance, local equities may be carving out a durable floor just as the US market takes a breather.



AI leaders correct, breadth improves

The tech selloff proved healthy for global markets. It removed froth from the sector and allowed laggards to catch up. Nvidia Corp. tumbled as much as 20 percent, Meta Platforms Inc. dropped 27 percent and Microsoft Corp. fell 16 percent peak-to-trough. Market breadth improved beyond the megacaps. Previously neglected sectors like pharmaceuticals have surged. The small-cap Russell 2000 led the recovery, outpacing both the Nasdaq 100 and S&P 500.

Global rally broadens beyond US

Among major markets, Canada is at new all-time highs. European indices are trading near peak levels. Across Asia, India's Nifty 50 and Sensex are trading near records. Japan's Nikkei 225, Taiwan's TAIEX, Korea's KOSPI, Indonesia's Jakarta Composite and Singapore's Straits Times Index are all within striking distance of their recent highs. Meanwhile China's Shanghai Composite and the Hang Seng Index are up 19 percent and 29 percent year-to-date.

This broadening of leadership suggests that the global bull market is no longer driven by a handful of US AI and tech giants alone. The question now is whether the long-overlooked Philippines finally joins this global upswing.

Major markets	% from all time high	high date	Asian EM	% from all time high	high date
Canada	0.6%	All-time high	India	0.2%	All-time high
US (S&P 500)	-0.3%	10/28/2025	Indonesia	-0.2%	11/27/2025
US (Russell 2000)	-0.6%	10/27/2025	Singapore	-0.6%	11/13/2025
US (Dow Jones index)	-0.6%	11/12/2025	Taiwan	-2.1%	10/31/2025
US (Nasdaq)	-1.7%	11/03/2025	Japan	-2.6%	10/31/2025
Spain	-1.2%	11/13/2025	Vietnam	-3.6%	10/16/2025
France	-1.3%	11/13/2025	South Korea	-4.8%	11/13/2025
UK	-1.6%	11/12/2025	Malaysia	-15.2%	07/08/2014
Switzerland	-1.8%	03/05/2025	Hong Kong	-21.4%	01/29/2018
Germany	-3.1%	10/09/2025	China (SHCOMP)	-23.8%	06/12/2015
Italy	-3.1%	11/13/2025	Thailand	-31.4%	01/29/2018
Australia	-5.0%	10/21/2025	Philippines	-33.1%	01/29/2018

Political noise fails to derail market

Despite a string of negative headlines, the market has held up remarkably well. The Iglesia ni Cristo’s massive rally, calls for a withdrawal of support from the military, the resignations of the Executive Secretary and the Budget Secretary all added to the political noise. These were compounded by accusations linking President Ferdinand Marcos Jr. to the corruption mess, calls for him to step down, and the very public personal attacks from the President’s sister. Yet the PSEi stayed steady through the turmoil and even staged a strong rebound. Rising prices in the face of bad news are often an early sign of a market that is starting to recover.

New appointments inspire hope

Instead of selling into the news, the market appears to be giving the new team the benefit of the doubt. Investors seem hopeful about Executive Secretary Ralph Recto and Finance Secretary Frederick Go. They viewed their appointments as constructive for policy continuity, fiscal management and investor confidence.

Reasons for optimism

Below, we cite the reasons why Philippine stocks may have seen the lows:

- 1. Rock-bottom valuations.** The Philippine market traded as low as 8.8x 2026 earnings and is currently at -1.25 standard deviation away from 10-year average.
- 2. Regional value play.** At these levels, the PSEi screens as one of the cheapest markets in the region.
- 3. Local institutions step in.** Foreign funds in aggregate remain net sellers, but local institutions and select foreign funds have started to aggressively accumulate selected blue-chip stocks.
- 4. Buybacks act as cushion.** Company buybacks and major shareholders buying back add another source of demand and signals confidence in their own valuations.
- 5. Peso defended by BSP.** The peso has been stabilized by BSP intervention and seasonal remittance inflow. The USD/PHP rate was capped a little above 59 and closed at 58.62 last Friday.
- 6. Low inflation.** Headline inflation is below 2 percent as oil prices fall and key staples such as rice and sugar retreat from last year’s highs.
- 7. High yields.** Dividend yields are attractive. Some blue-chip stocks offer yields of 5 to 8 percent.
- 8. Easing rates.** As the BSP lowers policy rates, some fixed-income money may finally rotate back into equities, supporting a recovery in local stocks.
- 9. Possible credit rating upgrade.** The S&P Global ratings stated that the Philippines remains in contention for an “A” credit rating.
- 10. Strong demand for Philippine govt bonds.** Demand remains high despite the corruption scandal, says National Treasurer Sharon Almanza.



Trust and governance as catalysts

The value proposition is already in place. Philippine stocks are cheap and underowned after years of foreign selling. With less exposure to frothy and crowded AI-driven markets, the PSEi also offers a reasonable diversification for global investors.

What is missing is follow-through on governance. A sustained recovery will require restored trust and accountability in institutions and a more transparent budget process. If these improve and the political-risk discount is reduced, much of the negativity priced into Philippine assets can be unwound – and the market stands to be re-rated higher.

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