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PHILEQUITY CORNER

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Extraordinary

Normally, this time of the year is quiet and easy. We enjoy watching the NBA Playoffs and following our favorite teams. Not this year. Like most Filipinos, we find ourselves glued not only to our television screens but also to the endless stream of news on social media. The events unfolding at home and abroad are so extraordinary that they have overtaken NBA as must-watch viewing. Below, we enumerate the extraordinary events and extraordinary gains that are shaping 2026.

Extraordinary events

- 1. Impeachment of the Vice President.** The House voted 257 to 25, with nine abstentions, to impeach Vice President Sara Duterte for the second time, on charges including misuse of confidential funds and unexplained wealth. Anti-money laundering authorities flagged over P6.77 billion in covered and suspicious transactions.
- 2. Assets frozen.** The Court of Appeals froze the assets of former House Speaker Martin Romualdez over the flood control scandal. The Sandiganbayan also issued hold departure orders against Romualdez and former Senate President Francis Escudero, barring both from leaving the country.
- 3. ICC arrest warrant for Senator Bato.** The International Criminal Court unsealed an arrest warrant for Senator Ronald "Bato" dela Rosa for crimes against humanity linked to the Duterte-era drug war.
- 4. Senate coup.** Pro-Duterte senators ousted Senate President Sotto and installed Alan Peter Cayetano by a 13-vote bloc, seizing control of the chamber that will try the impeachment case. We have seen three Senate presidents in the span of just one year.
- 5. Senate shooting.** Gunshots were fired inside the Senate compound during a standoff over the ICC warrant on dela Rosa.
- 6. Wild goose chase.** CCTV footage captured dela Rosa scrambling through Senate corridors and stairwells to evade arrest. By the next morning, he had escaped the building entirely.
- 7. Assassination threat and drug accusations.** Before all these, Vice President Duterte was accused of plotting to assassinate President Marcos Jr. Separately, the president's sister leveled drug accusations against her own brother.
- 8. Iran war.** The US-Iran conflict continues. Supreme Leader Ayatollah Khamenei was killed in the initial strike. Today, there is a fragile ceasefire with unresolved Hormuz tensions.
- 9. Trump-Xi summit.** President Trump arrived in Beijing for the first visit by a sitting US president in nearly a decade. Nvidia CEO Jensen Huang, a last-minute addition, called it "one of the most important summits in human history."
- 10. Oil up, inflation up.** Brent crude remains above \$100 per barrel. Philippine inflation surged to 7.2 percent in April, a three-year high. US CPI rose to 3.8 percent, the highest since May 2023.

11. Maduro captured. On January 3, US forces abducted Venezuelan President Nicolas Maduro from his residence in Caracas in a nighttime military operation. He remains detained in New York, facing narco-terrorism charges.

12. Never a dull moment with Trump. Fights with allies. Tariffs on trading partners. Warmer words for adversaries abroad. What began as a tariff shock now continues through tweets, policy flip-flops and sudden shifts in tone, keeping currencies, bonds, commodities and global trade on edge.

13. Japan draws the line. Japan intervened to support the yen after sharp currency weakness. It was not a new Plaza Accord, but it reminded markets that disorderly currency moves will not be ignored.

Extraordinary gains

14. US stocks at all-time highs. The S&P 500 crossed 7,500 last Thursday. The Dow breached 50,000 for the first time since the Iran war began. The Nasdaq hit a record above 26,600.

15. Global stocks at all-time highs. The MSCI All Country World Index (ACWI) also hit a new all-time high. Despite war, inflation, and political chaos, equities worldwide have climbed a wall of worry – though not all markets have participated equally.

16. Semiconductors leading. Chip stocks are driving the rally. The Philadelphia Semiconductor Index (SOX) is up roughly 70 percent year-to-date.

17. Memory stocks, the best of the best. SK Hynix nearly doubled in the past month, approaching 2 million won. Samsung surged to nearly 300,000 won. Memory chips are the single best-performing subsector in the world, powered by insatiable demand for high-bandwidth memory (HBM) in AI data centers.

18. Korea's historic run. The KOSPI briefly touched 8,000 before pulling back last Friday. South Korea's stock market is up roughly 200 percent in one year, led entirely by its semiconductor heavyweights.

19. Biggest capex cycle in history. Hyperscaler capital expenditure is estimated at \$725 billion for 2026. Amazon plans \$200 billion, Alphabet \$175-185 billion, Meta \$125-145 billion. Morgan Stanley projects \$1.1 trillion by 2027.

20. Trillion-dollar companies. Nvidia is worth \$5.5 trillion, the most valuable company in the world. Alphabet is at \$4.8 trillion. Apple is not far behind at \$4.4 trillion. Microsoft and Amazon are each roughly \$3 trillion. There are now 11 companies listed in the US worth at least \$1 trillion.

Correction Risk

With record highs, a sharp correction is possible. SK Hynix fell 7.7 percent and the SOXX index dropped 4.1 percent, the biggest one-day declines since the semiconductor-fueled AI run that started in April.

Inflation is pushing interest rates higher around the world. The US 10-year Treasury yield rose to 4.59 percent, the highest in a year. In the UK, the 10-year gilt surged to 5.17 percent, the highest since 2008. In Japan, the 10-year JGB yield climbed to 2.7 percent, a level not seen since 1997.

Here at home, the BSP raised its benchmark rate to 4.5 percent in April, its first hike in two years. The 10-year yield rose to 7.37 percent. Governor Remolona warned: "Once we start raising the policy rate, we're likely to raise it again." Higher rates lead to bond losses and are the enemy of equity valuations.

The Thucydides Trap

At the Beijing summit, President Xi Jinping asked whether the US and China can overcome the Thucydides Trap and create a new paradigm of major-country relations. The concept, popularized by Harvard political scientist Graham Allison, draws from the ancient Greek historian Thucydides, who wrote: "It was the rise of Athens, and the fear that this instilled in Sparta, that made war inevitable." Allison's research found that when a rising power challenges an established one, conflict has followed more often than not. Xi's language was deliberate, clearly aimed at framing the US-China relationship as something much bigger than tariffs or trade. This is about whether two superpowers can coexist without conflict.

For investors, the summit matters. Trade, tariffs, AI, rare earths, and Taiwan are all on the agenda. Huang said: "Today's morning ceremony was very uplifting. President Xi was very inspiring." But oil climbed after Trump left Beijing without any meaningful progress on increasing energy flows through the Strait of Hormuz. Investors are focused on the lack of concrete takeaways from the summit, particularly as it relates to any meaningful pressure on Iran. Extraordinary gains make the market susceptible to sharp corrections. But the events that are unfolding and the gains that are being made are indeed extraordinary.