AUGUST 03, 2026

PHILEQUITY CORNER

By Wilson Sy

The big bounce

Last week played out like a Wall Street thriller. Days before the Federal Reserve meeting, Citadel Securities argued that Fed Chair Kevin Warsh should deliver a surprise interest-rate hike as a “cleansing event.” Markets sold off sharply even though the Fed ultimately kept rates unchanged.

Then came the twist. Situational Awareness LP (SALP), the highly leveraged AI fund run by 24-year-old Leopold Aschenbrenner, was forced to unload most of its public-equity portfolio. The buyer was Citadel. The large block sale removed a major source of selling pressure, and many of the same stocks that had been crushed all week rebounded sharply. The sequence fueled speculation that Citadel had somehow engineered the selloff, although no evidence has emerged to support that claim. The story was so dramatic that it may become a Netflix movie one day.

Unprecedented 20-30 percent moves

AI stocks immediately surged in premarket trading. Among those associated with SALP’s portfolio, Nebius jumped 27 percent, Bloom Energy gained 26 percent, CoreWeave rose 21 percent and SanDisk climbed more than 26 percent.

The frenzy then crossed the Pacific. The KOSPI surged 17.9 percent last Friday, its biggest one-day gain on record. SK Hynix hit its 30-percent daily limit, while Samsung Electronics soared 27 percent. Together, Korea’s two most important technology companies account for roughly half of the South Korean stock market.

The Nostradamus of AI

At the center of last week’s drama was Leopold Aschenbrenner. A Columbia University valedictorian and former OpenAI researcher, he became famous after publishing “Situational Awareness,” a lengthy essay predicting the rapid development of artificial general intelligence. His early investment success earned him a cult-like following and a reputation as the Nostradamus of the AI trade.

His fund returned 439 percent in the first half of 2026 through concentrated and highly leveraged bets on semiconductors, memory chips, data centers, power infrastructure and other beneficiaries of the AI buildout. At the same time, he was shorting enterprise software. But leverage works both ways. When the positions moved sharply against him, losses multiplied, liquidity dried up, and prime brokers then demanded more capital.

“Margin Call” of the AI generation

As SALP fought for survival, guests were arriving in Carmel, California, for Aschenbrenner’s wedding to Avital Balwit, chief of staff to Anthropic CEO Dario Amodei. Margin calls, billions in losses and a forced portfolio sale unfolded as the 24-year-old prepared to get married.

SALP lost 67 percent in July as its assets fell from nearly $45 billion to around $10 billion. "We let you down this month," Aschenbrenner wrote to investors. The fund removed all leverage and sold most of its publicequity portfolio to Citadel. Even after the selloff, it remained up 80 percent for the year. The episode recalled the 1998 collapse of Long-Term Capital Management and the 2011 movie Margin Call—another story of excessive leverage forcing the sale of assets at the worst possible time.

K-pop and a K-drama

Korea had its own financial drama as its tech bubble popped. The KOSPI had fallen more than 40 percent from its June peak, partly due to the unwinding of heavily leveraged positions in Samsung, SK Hynix and single-stock ETFs. More than 1.2 million retail accounts triggered margin calls by July 13, while an estimated 320,000 to 360,000 were fully liquidated. Even after Friday's rebound, the index ended July down 22 percent—its worst month since 2008. The government responded by suspending new listings of single-stock leveraged ETFs and limiting exposure to these products.

The drama extended beyond the market. SK Group Chairman Chey Tae-won was involved in what Korean media called the "divorce of the century." A court ordered him to pay his former wife, Roh Soh-yeong, 944 billion won, or around $640 million—the largest divorce award in Korean history. Concerns that the settlement was to be effected thru SK Hynix shares added more pressure to the stock. The dispute followed Chey's acknowledgment of an extramarital relationship and a child with a much younger woman.

Toxic capex

Last week's earnings also marked a shift in investor thinking. Markets are no longer rejecting capex simply because it is large. As Wharton professor Jeremy Siegel explained on CNBC, spending is rewarded when it is rational, responsible and supported by a clear path to monetization. Siegel also said that capex can be "toxic" if done irresponsibly.

Microsoft climbed 15.5 percent after Azure revenue grew 43 percent, reassuring investors that its AI investments were generating tangible returns. The rally added nearly $450 billion to Microsoft's market value—the largest one-day gain by any company in Wall Street history.

Amazon shares surged 15 percent after Amazon Web Service (AWS) revenue rose 37 percent, its fastest pace in more than four years. CEO Andy Jassy said demand was so strong that Amazon could not install capacity fast enough and had a "clear line of sight to strong financial returns." Most of the cloud capacity being added for 2027 is already reserved, while a significant portion of its 2028 capacity is also spoken for.

Stay in the game

The lesson from last week is simple. Investors should avoid excessive leverage, maintain a long-term perspective and ensure thattheir AI exposure is consistent with their risk appetite. Twenty- and 30-percent daily moves show that the AI trade has entered a more volatile phase. But the strong rebound also shows that the AI revolution remains intact and continues to offer significant opportunities.

Stay invested in the AI transformation but be careful. There is still a lot of money to be made. Manage risk, survive the drawdowns and stay in the game.

Let’s go, Alex, let’s go

We have been sleeping late these past few nights. The once-in-a-generation moves in global markets have been riveting, while Alex Eala has been making waves of her own on the tennis court. She has become the Philippines’ newest sporting darling—not only for her fearless play, but also for the poise and eloquence she displays in interviews and away from the court. Her latest exciting and brilliant victories in Washington have given Filipinos another reason to stay up late or wakeup early. Let’s go, Alex, let’s go!

Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit www.philequity.net to learn more about Philequity’s managed funds or to view previous articles. For inquiries or to send feedback, please call (02) 8250-8700 or email ask@philequity.net.