



PHILEQUITY CORNER

By Wilson Sy

2023 Mid-year Report

In stark contrast to the performance last year, developed market equities delivered strong gains during the first half of 2023. The confluence of AI-driven enthusiasm, lower inflation, better-than-anticipated corporate profits, resilient US economic growth, and improved sentiment has fueled the impressive gains posted this year.

Best 1H in 40 years

Leading the charge is the tech-heavy Nasdaq Composite, which posted its best January 1 to June 30 return since 1983. The Nasdaq index surged by a staggering 31.7%. The S&P 500 registered its strongest performance since 2019 with a solid 15.2% return.

European equities have not been left behind in this impressive stock market rally. This is bolstered by the recent retreat in energy prices and signs of economic resilience. Europe's Stoxx 50 index, widely regarded as a key benchmark for European markets, has surged by a substantial 16%. This marks its most significant first half return since 1998.

While China and a significant portion of Southeast Asia have struggled to participate in this ongoing rally, Taiwan and South Korea emerged as standout performers with gains of 19.6% and 14.7%, respectively. These two countries benefited from the exceptional performance of their semiconductor and technology sectors which are riding the wave of expanding AI applications

Developed markets	6mos (%)	Asian emerging markets	6mos (%)
US (Nasdaq Composite)	31.7%	Taiwan	19.6%
Japan	27.2%	South Korea	14.7%
Italy	19.1%	Vietnam	11.2%
Spain	16.6%	India	6.4%
Germany	16.0%	China (SHCOMP)	3.7%
US (S&P 500)	15.9%	Singapore	-1.4%
France	14.3%	Philippines	-1.5%
Canada	4.0%	Indonesia	-2.8%
US (Dow Jones index)	3.8%	Hong Kong	-4.4%
Australia	2.3%	Malaysia	-7.9%
UK	1.1%	Thailand	-9.9%

Source: Bloomberg

The Magnificent Seven

Investor enthusiasm surrounding investments in generative artificial intelligence software has been crucial in driving the rally this year. At the forefront of this extraordinary performance are the so-called "Magnificent Seven," a group of mega-cap growth stocks that have played an instrumental role in propelling the market forward. This distinguished iconic list consists of Microsoft, Nvidia, Tesla, Meta, Apple, Amazon, and Alphabet.

Microsoft ignites AI race

Microsoft propelled the AI race into higher gear with a substantial \$10 billion investment in OpenAI, strategically positioning itself to dominate the burgeoning early AI market. Microsoft aims to leverage the capabilities of ChatGPT, OpenAI's advance language model. This strategic move has generated significant investor enthusiasm, driving Microsoft shares to soar by an impressive 42% in the first half of 2023.

Nvidia's phenomenal growth

Nvidia experienced a spectacular 189.5% surge in its stock price in the first half of the year. This meteoric rise can be primarily attributed to the soaring demand for Nvidia's chips, which play a vital role in training advanced programs like OpenAI's ChatGPT. As the interest in AI applications continues to escalate, Nvidia finds itself among the elite group of trillion-dollar companies

Tech giants join the AI revolution

Joining the AI revolution, other tech giants have embarked on their own AI initiatives. Meta Platforms, formerly known as Facebook, has experienced a notable stock price increase of 138.5%, while Tesla, Amazon, Apple and Alphabet have seen respective gains of 112.5%, 55.2%, 49.3%, and 35.7%. These companies are integrating AI tools and technologies into their products and services, recognizing the immense potential and transformative power of artificial intelligence.

Apple hits \$3 trillion

Apple has made history as the first company to breach the astounding \$3 trillion market capitalization threshold. The tech giant's shares soared to unprecedented heights, reaching a new record price of \$193.97 per share last Friday. Remarkably, the stock now stands 6% above its previous high of \$182.94 which was achieved during the peak of January 2022.

Divergent currency performance

Throughout the first half of 2023, the US dollar index has largely remained range bound. After weakening by as much as 10% from a 20-year high in September 2022, the index has been consolidating between the 100 and 106 range. Amid this consolidation, major currencies have shown diverse performances. The British pound, Swiss franc, Canadian dollar and the euro has shown stability and strength, respectively gaining 5.1%, 3.2%, 2.4% and 1.9% against the US dollar. In contrast, the Norwegian krone and the Aussie dollar moved in the opposite direction, losing 8.7% and 2.2%.

	6mos (%)	Asian EM currencies	6mos (%)
Dollar Index	-0.6%	Indonesian Rupiah	3.8%
		Philippine Peso	1.0%
Major currencies		Indian Rupee	0.9%
British Pound	5.1%	Vietnamese Dong	-0.2%
Swiss Franc	3.2%	Singaporean Dollar	-1.0%
Canadian Dollar	2.4%	Taiwanese Dollar	-1.4%
Euro	1.9%	Thai Baht	-2.4%
Australian Dollar	-2.2%	Korean Won	-4.0%
Norwegian Krone	-8.7%	Chinese Yuan	-4.9%
Japanese Yen	-9.1%	Malaysian Ringgit	-5.6%

Source: Bloomberg

Weak yen, steady peso

The Japanese yen and the Chinese yuan have weakened considerably. The yen has declined 9.1% as the Bank of Japan maintains an accommodative monetary policy stance. The yuan has depreciated by 4.9% as the Bank of China initiates a stimulus package to revive its economy. Despite all the volatility in the currency markets, the Philippine peso performed remarkably well compared to its peers. It gained 1% against the US dollar in the first half of 2023.

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