



PHILEQUITY CORNER

By Wilson Sy

Has the AI bubble burst?

Nvidia's market value just hit \$5 trillion. Tesla shareholders signed off on Elon Musk's \$1 trillion pay package. OpenAI is reportedly eyeing an IPO that could give it the same trillion-dollar tag despite never turning a profit. Are these the telltale signs of a market top?

US tech giants that fueled the AI boom are facing their first real test as valuations stretch to dizzying heights. A growing chorus of warnings from financial heavyweights Morgan Stanley, Goldman Sachs, JPMorgan and Capital Group has investors questioning whether the AI frenzy has reached its breaking point.

Wall Street's warning signs

"I think that there will be a lot of capital deployed that will turn out not to deliver returns," Goldman Sachs CEO David Solomon told attendees at last week's Global Financial Leaders' Investment Summit in Hong Kong. Solomon said that the markets are due for a 10% to 20% drawdown in the next 12 to 24 months.

Morgan Stanley's CEO Ted Pick echoed the concern, saying that investors should "welcome the possibility" of a 10% to 15% market pullback. Meanwhile, Capital Group CEO Mike Gitlin noted that earnings are strong but "what's challenging are valuations." He added, "We're somewhere between fair and full, but I don't think a lot of people would say we're between cheap and fair."

Earlier last month, JPMorgan CEO Jamie Dimon told the BBC that "he was far more worried than others" about a serious market correction in the next six months to two years. He said the market is pricing in a 10% correction, but he thinks it could be closer to 30%.

"Big Short" investor makes \$1 billion bet

The bubble concerns intensified when Michael Burry, the hedge fund manager made famous in "The Big Short" movie for predicting the 2008 housing market crash, disclosed massive bets against two AI giants. According to regulatory filings released last week, Burry's Scion Asset Management bought put options worth approximately \$1.1 billion against Nvidia and Palantir Technologies—with \$187.6 million in puts on Nvidia and a staggering \$912 million in puts on Palantir.

The disclosure came just days after Burry posted cryptically on social media: "Sometimes, we see bubbles. Sometimes, there is something to do about it. Sometimes, the only winning move is not to play."

AI chiefs on the defensive

The mounting criticism has provoked unusually emotional responses from AI company leaders. After Michael Burry disclosed a large short position against Palantir, CEO Alex Karp reacted with uncharacteristic hostility, calling the move "batsh*t crazy" and "super triggering." "I do think this behavior is egregious, and I'm going to be dancing around when it's proven wrong," he shot back.

OpenAI's Sam Altman lost his cool when pressed about fundamentals during a Bg2 podcast. When host Brad Gerstner asked how OpenAI with \$13.2 billion revenues could support \$1.4 trillion of spending commitments, Altman snapped: "Brad, if you want to sell your shares, I'll find you a buyer... I think there's a lot of people who like to buy OpenAI shares." The temper on display—uncommon at that level— amplified investor concerns that hype is outstripping discipline.

Shutdown and tariff risks mount

The U.S. government shutdown is now the longest in history. Essential services are hobbled and hundreds of thousands of federal employees are unpaid. At the same time, the Supreme Court is signaling doubts over President Trump's use of emergency powers to impose sweeping tariffs. Prediction markets now show only 25% chance that it rules in favor of the tariffs. If this happens, it will jeopardize Trump's economic agenda and potentially worsen an already troubling fiscal outlook.

AI stocks feel the heat

The combination of valuation concerns and policy uncertainty has hit prominent AI stocks hard. Microsoft has dropped over 11% from its peak amid concerns about AI spending sustainability. Likewise, Nvidia has retreated 11% from its record as CEO Jensen Huang warned about China catching up in chip technology. And Palantir plummeted 14% post-earnings despite 63% revenue growth as its 136x price-to-sales ratio proved unjustifiable.

While Wall Street frets about overvaluation, the Philippines confronts a different crisis—one compounded by entrenched government corruption and relentless natural calamities.

Salceda: "Paralysis becomes metastasis, when unchecked"

The PSEi closed at 5,759 on November 7—its lowest level since 2022—as third-quarter GDP growth collapsed to just 4.0%, well below the 5.2% consensus. This is the weakest since 2011 outside the pandemic. Investment collapsed from 12.8% last year to -2.8%. My good friend Joey Salceda—whom I've long regarded as one of the country's best investment analyst—calls it "lost development momentum."

He argues that the slowdown is not due to lack of funds or demand but due to hesitation. "The government kept paying salaries but stopped building," he says, noting roughly ₱100 billion in For-Later-Release funds remains idle after flood-control investigations triggered bureaucratic caution across multiple agencies.

"The economy's animal spirits are down...paralysis quickly becomes metastasis when unchecked." He urges the government to define clear rules so projects can proceed, to create safe-harbor rules for honest officials, and to accelerate disaster-aid spending so money continues to reach households and communities.

Missing the boom but catching the bust

When bubbles deflate, emerging markets typically suffer disproportionate capital flight—even those that never participated in the rally. The Philippines exemplifies this vulnerability. While the Nasdaq-100 surged nearly tenfold since 2013, the PSEi remained flat, missing the boom entirely. Now it faces multiple threats: global contagion from a potential AI bust it never benefited from, compounded by massive corruption issues, slowing economy, weakening Philippine peso, and chronic vulnerability to typhoons, earthquakes, and volcanic eruptions that repeatedly derail economic momentum.

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.