



# PHILEQUITY CORNER

By Wilson Sy

## 50,000

In an ironic twist, the oldest and least tech-heavy of major indices signals that the bull market remains alive and well. The Dow Jones Industrial Average advanced 1,206.95 points or 2.47 percent, closing at 50,115.67 last Friday. It marked the first time the 129-year-old index has crossed the historic 50,000-point milestone.

What makes this moment particularly remarkable is the context. The week began with a scary plunge in tech stocks and renewed fears that the market was about to crack. Instead, the Dow delivered a different message: **LEADERSHIP IS BROADENING**. While the Magnificent 7 wobbled and software stocks collapsed, money rotated into the rest of the market.

## AI shock triggers SaaSocalypse

The week began with panic after a new AI automation tool from Anthropic sparked \$285 billion in selling across software stocks. The catalyst was a new legal tool built on Anthropic's Claude model. This raised concerns that AI could disrupt long-standing franchises in legal information, tax and professional data analytics. The market's growing realization is that AI isn't just boosting productivity, it could also disrupt everything.

At the center of the selloff was SaaS (software-as-a-service) – the subscription model behind Salesforce, ServiceNow, Adobe, Intuit, Workday and Shopify. When investors realized that AI could replicate core workflows from drafting, searching, summarizing, and automating, the selloff in software stocks was swift and severe. The iShares Expanded Tech-Software Sector ETF (IGV) fell for eight consecutive sessions, its worst streak since 2020. Year-to-date, IGV is down 22 percent.

## Doubling, doubling, doubling, doubling

Amidst the carnage and confusion as hyperscalers and software stocks cratered, Nvidia CEO Jensen Huang came out and explained what was happening. He appeared on CNBC's Halftime Report last Friday, saying that the tech industry's surging capital expenditures for AI infrastructure are "justified, appropriate and sustainable."

Hyperscalers like Meta, Amazon, Google and Microsoft could spend \$660 billion on capex this year on what Jensen called the "largest infrastructure buildout in human history." He predicted the buildout would continue for seven to eight years, dismissing concerns about overcapacity.

Jensen also praised Anthropic and OpenAI, the two leading AI labs, saying that both are making great money. "To the extent that people continue to pay for the AI and the AI companies are able to generate a profit from that, they're going to keep on doubling, doubling, doubling, doubling."

## Broadening beyond the tech trade

Leadership is rotating and the bull market is broadening beyond the tech trade. As we've noted in our year-end piece "10 Market Snapshots of 2025," this broadening is underway for some time – the rally widening from mega-cap AI winners into financials, industrials, metals, and emerging markets.

This trend has continued into 2026, with iShares Emerging Markets ETF (EEM) up 9.8 percent year-to-date and the iShares MSCI Philippines ETF (EPHE) up 7.3 percent.

## Old economy surges

While software (IGV) has plunged 22 percent year-to-date, "old economy" sectors are surging. Energy (XLE) is up 19.1 percent. Materials (XLB) has gained 13.6 percent. Home construction (ITB) is up 13.4 percent. Industrials (XLI) have returned 11.6 percent. Transportation (IYT) is up 10.4 percent.

Real assets are leading the charge in 2026, with gold, metals, and mining companies posting outstanding performances, despite the recent selloff. Small-cap companies (Russell 2000) are outpacing large caps, in an early reversal of last year's performance.

Select US Sector ETFs	Year-to-date
Energy (XLE)	19.10%
Materials (XLB)	13.60%
Gold Miners (GDX)	13.55%
Home construction (ITB)	13.40%
Industrials (XLI)	11.64%
Banks (KBE)	11.07%
Transportation	10.43%
Software (IGV)	-21.98%
Major Indices	
Russell 2000	7.66%
Dow Jones	4.27%
S&P 500	1.27%
Nasdaq Composite	-0.91%

*Source: Bloomberg. Wealth Sec. Research*

## Bull market is alive, well and broadening

While many investors worry that the massive spending of hyperscalers will not pay off, veteran market strategist Ed Yardeni offers a different view. Is this the beginning of a Tech Wreck comparable to 2000- 2002? "We doubt it," Yardeni wrote, "because this time, the industry has many more profitable companies benefiting from the enormous capital spending on AI infrastructure by hyperscalers."

In other words, all these investments will provide revenue and earnings to companies that are vendors to the hyperscalers. And as the Dow's march to 50,000 reminds us, the bull market is alive, well, and broadening.

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