



PHILEQUITY CORNER

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AI scare trade

For three years, artificial intelligence was the stock market's engine of growth. The Magnificent Seven surged, software multiples expanded and investors rewarded anything with an AI narrative. Then, in a matter of weeks, the script flipped. AI went from hero to villain.

The catalyst was not a macro shock but a wave of AI product launches. It started on January 12, when Anthropic launched Claude Cowork, a "digital colleague" built to automate desktop work, from file management to document processing. Then in early February, Anthropic rolled out industry-specific AI plugins for finance, legal, consulting and insurance.

Be careful what you wish for

These tools showed that autonomous AI agents can now do complex professional tasks that enterprise software has been charging billions for. Investors suddenly saw the other side of the AI dream. When people finally get what they wished for, AI doing everything, someone's margins have to pay for it.

One by one they fall

The market's response was swift, indiscriminate and brutal. Almost every day, anything exposed to potential AI disruption sold off. One by one, entire industries began to fall.

- 1. Software and SaaS bore the initial brunt.** The iShares Expanded Tech-Software Sector ETF (IGV) plunged 30 percent from recent highs, entering a bear market. The sector's forward P/E collapsed from roughly 35x at end-2025 to around 20x, levels not seen since 2014.
- 2. Private credit was next.** Software has been a favored sector for private credit lenders. If AI disrupts the borrowers, the lenders can suffer losses as well. Blue Owl, TPG, Ares Management, and KKR are all down by double digits this year. UBS warned that in an aggressive disruption scenario, default rates in US private credit could climb to 13 percent.
- 3. Insurance brokers sank** after Insurify launched an AI tool and OpenAI approved a ChatGPT-based insurance app from Spanish insurer Tuio. Insurance brokers Willis Towers Watson and Arthur J. Gallagher fell more than 10 percent in the past week alone.
- 4. Wealth managers and financials followed** when Altruist Corp. unveiled Hazel AI, a platform that automates tax strategies and financial documents. Charles Schwab, LPL Financial, and Raymond James suffered double-digit declines.
- 5. Real estate services registered their biggest drops** since the Covid-driven selloff in 2020. CBRE plunged 16 percent and Jones Lang LaSalle dropped 15 percent last week. Cushman & Wakefield fell 20 percent. The fear spread from brokers to office space providers on the thesis that AI disruption could reduce demand for office space.
- 6. Logistics became another victim.** A new tool from Algorhythm Holdings called SemiCab touted AI-powered freight scaling. That sent logistics giants C.H. Robinson, RXO, and Expeditors International down as much as 20 percent last Thursday alone, before rebounding slightly on Friday.
- 7. Media became the latest casualty.** Selling in Disney, Fox, Spotify, and Netflix accelerated, pushing their year-to-date losses to roughly 20 percent. Pinterest cratered 17 percent after a revenue miss, with AI fears adding fuel to the selloff. AI is collapsing costs and lowering barriers to entry – allowing individuals and independent creators to produce at a fraction of the cost.

The \$3 trillion bet

According to Bloomberg, hyperscalers are on pace to spend more than \$3 trillion through 2030 on data centers and power infrastructure. Some of this financing is being routed through special purpose vehicles, off-balance-sheet structures and private credit. The concerns are not the spending itself, but the growing complexity and opacity of the funding, a setup that can amplify stress when expectations break.

AI bet becomes binary

That is why the bet is increasingly binary. Either AI demand and monetization catch up fast enough to justify the spend, or they do not. There is very little middle ground. According to UBS, hyperscaler capex this year will consume almost 100 percent of cash flow from operations versus a 10-year average of just 40 percent. When spending absorbs nearly all operating cash flow, the margin for error disappears.

Japan – Mandate for growth

Every bull market eventually broadens. And as capital rotates out of crowded US positions, Japan is emerging as a prime destination. Prime Minister Sanae Takaichi's Liberal Democratic Party secured a commanding lower-house majority, winning 316 of 465 seats. Investors treated it as political clarity with a multi-year runway. Japanese equities surged, with the Nikkei pushing through new highs and even briefly crossing 58,000 as the so-called "Takaichi trade" gathered steam. Her agenda is a bigger budget, an explicit push into AI and semiconductors, and defense spending moving toward 2 percent of GDP.

Thailand – Stability premium

Thailand delivered its own version of clarity. The ruling Bhumjaithai Party's convincing win eased fears of another messy coalition and another lost year. The SET rallied 3.5 percent on 102-billion-baht turnover— a record. The baht outperformed all Asian peers. What markets rewarded was not ideology but predictability: Finance Minister Ekniti declared "no populism," pledged fiscal discipline, and fast-tracked capital-market reforms including a new tax-advantaged savings account (TISA).

Indonesia – The price of opacity

Indonesia offered a stark contrast. On January 27, MSCI issued a formal warning regarding "fundamental investability issues" in Indonesia. It flagged opaque shareholding structures, suspected wash trading, and low free floats. The Jakarta Composite Index crashed 7.4 percent in a day. The stock exchange CEO and the head financial regulator both resigned. Moody's then cut Indonesia's credit outlook from stable to negative. It cited President Prabowo's appointment of his nephew to the central bank and his sovereign fund's aggressive asset grabs.

The next leg

Capital is broadening beyond the Magnificent Seven and AI trades, flowing toward markets that offer political clarity, institutional credibility, and real-economy growth. Japan and Thailand delivered clean mandates and were rewarded. Indonesia chose opacity and paid for it. Countries that embrace transparency, good governance, and a clear, credible economic program will capture the next leg of this broadening phase. Those that do not will watch it pass them by.

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