



PHILEQUITY CORNER

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Bull market broadens to Asia

For three years, US stocks dominated global returns. The Magnificent Seven and the AI boom drove the S&P 500 up nearly 100 percent from the 2022 lows. But as we noted in late 2025, a broadening was underway. Market leadership was shifting from a narrow group of mega-cap AI winners into other sectors and other regions (see "Has the AI bubble burst?" November 10, 2025, and "10 Market Snapshots of 2025," December 29, 2025).

That broadening has now reached Asia in full force. South Korea's KOSPI breached 6,000 for the first time last Wednesday. Japan's Nikkei 225 hit a record high of 58,850. While Wall Street grapples with AI valuation anxiety and Trump uncertainty, the case for looking beyond the US is gaining traction.

Last Friday, UBS downgraded US equities, warning that the factors that powered years of American outperformance are starting to fade. The investment bank cited mounting risks from a weakening dollar, stretched valuations, policy volatility under Trump, and corporate buyback yields that are no longer superior to global peers.

Asia outperforms the US again

In 2025, we saw a rare outcome: emerging markets outperformed the S&P 500 by a wide margin, 30.8 percent versus 16.4 percent. That trend has accelerated in 2026. Year-to-date, many Asian markets are delivering double-digit gains while the S&P 500 remains roughly flat.

The shift is not subtle. South Korea's KOSPI is up 48.2 percent for 2026. Taiwan's TAIEX has gained 22.3 percent. Thailand's SET, which was Asia's worst performer in 2025, has surged 21.3 percent. Japan's Nikkei 225 is up 16.9 percent and making new all-time highs.

Asia	Index	2025 (%)	2026 Ytd (%)
South Korea	KOSPI	75.6%	48.2%
Taiwan	TAIEX	22.7%	22.3%
Thailand	SET	-10.0%	21.3%
Japan	NIKKEI 225	26.2%	16.9%
Philippines	PSEi	-7.3%	9.2%
Singapore	STI	28.6%	7.5%
Vietnam	VNI	40.9%	5.4%
Hong Kong	HANG SENG	27.8%	3.9%
Malaysia	KLCI	2.3%	2.2%
China	CSI 300	17.7%	1.7%
India	SENSEX	9.1%	-4.6%
Indonesia	JCI	22.1%	-4.8%
US	DJIA	13.0%	1.9%
US	S&P 500	16.4%	0.5%
US	Nasdaq	20.4%	-2.5%

Source: Bloomberg, Wealth Securities Research

North Asia leads the charge

Three markets are doing the heavy lifting. First is South Korea. The KOSPI's 48.2 percent year-to-date gain is the best in the region by a wide margin. Samsung Electronics and SK Hynix continue to benefit from the global AI hardware cycle, but the rally has broadened beyond semiconductors. A political reset following last year's impeachment crisis, combined with Goldman Sachs' forecast for 120 percent earnings growth in Korean equities for 2026, has drawn global capital back to Seoul.

Second is Taiwan. The TAIEX has gained 22.3 percent, building on a strong 2025. TSMC, the world's largest contract chipmaker, remains the anchor. But the rally is supported by the broader semiconductor supply chain and a weaker US dollar that has lifted Asian currencies and improved dollar returns for foreign investors.

Third is Japan. The Nikkei 225's surge to record highs above 58,000 was catalyzed by the landslide election victory of Prime Minister Sanae Takaichi's ruling party, which secured a supermajority in the Lower House. Markets are pricing in higher fiscal spending, tax relief, and a more assertive economic agenda. The so-called "Takaichi trade" has pushed Japanese equities to new peaks in three consecutive sessions.

ASEAN markets catching up

The broadening is no longer limited to North Asia's tech and semiconductor heavyweights. Southeast Asian markets that lagged in 2025 are now joining the rally. Thailand's SET, which fell 10 percent last year, is the surprise performer – up 21.3 percent year-to-date. The Philippines is following with a 9.2 percent gain, and Singapore's STI is up 7.5 percent.

Even Indonesia, which fell as much as 13 percent this year after MSCI downgraded its outlook on governance and transparency concerns, has since pared the decline to 4.8 percent.

Why the Philippines is rallying

In December, we laid out ten reasons why Philippine stocks may have bottomed (see "Have we seen the bottom in Philippine stocks?" December 1, 2025). Three months on, several catalysts have played out. The BSP has continued to ease. The peso has strengthened to 57.66 per dollar, its firmest since September 2025. Foreign investors have turned net buyers – the PSE reported P13.3 billion in net foreign buying in January and P8.4 billion in February. Fourth-quarter earnings are coming in strong enough to sustain buying momentum.

When US tech led the world, capital had no reason to look at small, underowned markets. Now that leadership is broadening, investors are searching for cheap, overlooked pockets of value. The PSEi, trading at just 9.9x forward earnings with 8.6% earnings growth, is still well below its 2018 all-time high of 9,078.

Passive funds are buying Philippines

Fund flows tell the same story. The iShares MSCI Philippines ETF (EPHE) has attracted \$58 million in new subscriptions this year. More importantly, broad emerging market ETFs are seeing massive inflows – \$4 billion in Vanguard FTSE Emerging Markets ETF (VWO) and \$5.8 billion in iShares MSCI Emerging Markets ETF (EEM). The Philippines accounts for less than 0.5 percent of these EM funds, but at this scale, even a small weighting translates into meaningful buying pressure on Philippine stocks.

PSEi breaks out of 6,500

The technical picture has shifted decisively. The PSEi closed at 6,611 last Friday, its highest level since January 2025. From the November 2025 low of 5,584, the index has rallied 18.4 percent - less than 2 percent shy of the 20 percent threshold that technically defines a bull market. After being stuck between 5,800 and 6,500 for most of the past year, the index has broken above the critical 6,500 resistance. If 6,500 holds as support, the next test is 7,000, followed by 7,500. A move to 7,000 and beyond would put the PSEi firmly in bull market territory.

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