

NOVEMBER 09, 2026

PHILEQUITY CORNER

By Wilson Sy

Tech stocks crash as Blue wins

Blue has always been my favorite color. But there are many shades of blue, and each carries a different meaning. There is Xavier blue and Ateneo blue – two shades of blue that I am proud to wear. Xavier's azure blue crest symbolizes the unity of Chinese and Filipino cultures through the Jesuit mission. Ateneo's blue honors Our Lady and symbolizes faith, peace, and commitment.

In American politics, blue represents the Democratic Party, while red represents the Republicans. Last week's midterm elections resulted in a sweeping Blue Wave as Democrats won control of both the House and the Senate. The result shifted the balance of power in Washington and dealt a major setback to President Trump's political agenda.

Tech's worst day since Covid

The Blue Wave triggered fears that the US AI infrastructure boom could be derailed. Last Thursday, November 5, the Nasdaq 100 plunged 6.4 percent, its worst decline since the Covid crash of 2020. Semiconductor stocks fell harder with the VanEck Semiconductor ETF (SMH) tumbling 11.2 percent. The S&P 500 fell 4.4 percent, while the Dow declined 3.4 percent.

Democrats have become increasingly critical of the rapid expansion of AI data centers because of their huge electricity and water requirements, and the resulting increase in utility bills. Democratic victories in Texas, Georgia, Nevada, Ohio and Iowa have raised fears of tighter restrictions. Some incoming governors have called for moratoriums. Others favor stricter regulations or fewer tax incentives. This puts hundreds of billions of dollars in planned data center investments at risk of delays or cancellation.

Has the AI bubble finally burst?

In our June 8 article, "Has the tech bubble burst?", we warned that the extraordinary gains in AI stocks could be followed by equally violent corrections. Stocks were rising 20 to 30 percent on a single comment or broker upgrade. In our October 5 article, "Market's narrowing breadth," we pointed out that only a handful of AI and semiconductor stocks were carrying the market. The November 5 crash exposed the risks of excessive concentration and speculation. Stocks that had risen spectacularly are now falling just as violently. Is this another correction in the AI bull market, or are we finally witnessing the bursting of the tech bubble?

Fears of AI pipeline delays

Chipmakers have been ramping up production in anticipation of continued growth in AI infrastructure spending. Memory chips, such as the high-bandwidth memory (HBM), DRAM, and NAND flash, have experienced severe shortages and sharp price increases. These have driven earnings growth and stock price gains in companies like Micron, SK Hynix and Samsung. If data center projects are delayed, customers may postpone or even cancel orders. This could turn current shortages into oversupply. As a result, inventories could pile up and prices could start falling.

Hedge funds hit hard as leverage unwinds

Even before the Blue Wave hit, hedge funds were suffering large losses. VARA plunged 33 percent in October, Engineers Gate cut most of its equity team, and Kirkoswald suffered its worst month ever. Meanwhile, Walleye Capital announced plans to return part of its investors' capital. The November 5 crash added to the pain, with tech hedge funds losing more than 4 percent, according to Goldman Sachs.

Leveraged ETFs added fuel to the fire

The magnitude of the selloff indicates that leveraged positions amplified the market decline. According to Nomura, leveraged ETFs were expected to sell approximately $47 billion worth of stocks near the November 5 close to rebalance their positions. This would rank as the second-largest selling day in Nomura's records dating back to 2006. The Direxion Semiconductor Bull 3X ETF (SOXL), which provides 3x the daily exposure to the semiconductor sector, crashed 38.7 percent last Thursday.

The big spenders

AI's big spenders could emerge as winners of the Blue Wave. As chipmakers and data-center developers plunged, investors started rotating into hyperscalers like Microsoft, Amazon, Meta and Alphabet. If new data-center projects are restricted, their existing computing capacity becomes more valuable. A slowdown in capital spending would boost free cash flows, which have been squeezed by massive AI investments. Apple may be in a better position. Unlike its peers, it has largely stayed out of the AI infrastructure spending race, avoiding huge capital commitments. With strong earnings, solid balance sheets and established businesses, these tech giants could emerge as relative safe havens within the battered AI/tech sector.

Other beneficiaries of the Blue Wave

Renewables and healthcare were among the biggest winners as investors anticipated greater support for clean energy, Medicaid and Obamacare. Homebuilders and retailers rallied on hopes of lower mortgage rates and greater affordability. Airlines, cruise operators, and travel stocks benefited from lower oil prices and hopes for an end to the Iran war. Over the past month, consumer staples (XLP) gained about 11 percent, pharmaceuticals (PPH) 10 percent, utilities (XLU) 8 percent, real estate (XLRE) 8 percent, financials (XLF) 6 percent and materials (XLB) 5 percent.

A silver lining for the Philippines

Gold has rallied while oil prices have plunged since the midterm elections. The Philippine peso has also strengthened as hopes grow for an end to the Iran war. The Philippines, which has suffered heavily from rising energy costs, could become one of the biggest beneficiaries if peace returns. Cheaper oil would bring down fuel and transport costs and help ease inflation. If this happens, the BSP may have room to cut interest rates. These developments could help revive our economy and stock market, although investor confidence remains a major hurdle. After being one of the losers of the war, the Philippines could emerge as one of the winners of peace.

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.