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End of an era

The Phil Stock Exchange (PSE) will permanently close its trading floor. This may be a sentimental moment for many long-time brokers given the PSE's rich history. As the stock exchange shifts to floorless trading, we look back at the origin of the PSE and the unique history of its trading floors.

One of the oldest exchanges in Asia

The PSE was formed on December 23, 1992 as a result of the unification of the country's two older stock exchanges. Manila Stock Exchange was established on August 8, 1927 and was one of the oldest stock exchanges in Asia. Makati Stock Exchange was incorporated on May 27, 1963. In effect, the PSE is turning 95 years old this year.

Manila vs. Makati

A fierce rivalry ensued between the Manila and Makati Stock Exchanges when the latter was formed. The country had two different stock exchanges trading the same stocks. Both stock exchanges had their own set of directors, as well as their own donated offices and trading floors. Prior to the merger, both stock exchanges already had their own trading systems. However, even after the merger, the Manila and Makati factions continued to fight for control of the unified exchange. Arguments arose regarding the naming of the buildings, the designation of the official headquarters, and the trading system to use.

Long road to unification

The formation of the PSE was a result of the shotgun marriage in 1992 forced by then President Fidel Ramos. The merger between the Manila and Makati Stock Exchanges was one of the conditions for a loan grant from the Asian Development Bank (ADB) for the country. The Tektite and Ayala trading floors were electronically-linked to each other in 1994. On February 19, 2018, stock brokers from Ortigas and Makati all moved to their new home in the PSE Tower in BGC (see *Finally, United in One House*, February 19, 2018). Still, there were arguments as to which trading bell to use, so the PSE decided to keep the trading bells from both Manila and Makati (see *Why are there two bells?*, July 2, 2018). Before the pandemic struck, 86 out of the 117 active brokers had a trading booth in the PSE Tower's trading floor.

Trading before computers

Before trading was computerized, the open outcry system was utilized. Brokers raced to the black board to shout their orders. Authorized traders, who were in yellow vests, marked these orders in the trading board using chalk. The board men tallied the total orders. Page boys wore red vests and went around the trading booths to get the trading contracts signed. Telephone clerks had blue vests on. Later on, the vests were changed into colored badges to properly identify the trading personnel.

Getting stock quotations from radio

In the 1970s and 1980s, there was no TV or live streaming news. Instead, market aficionados were glued to their radios to listen for any market updates. Radio announcers provided the latest stock price quotations and market movements. Investors would then have to call their brokers to place their orders.

With the advent of cable TV, the AM radio was supplemented and eventually replaced by business channels and stock market programs which showed a live ticker tape and updated stock quotations.

Retail trading accelerates during pandemic

The rise of online trading during the pandemic was a global phenomenon. Stay-at-home orders kept people locked and idle inside their homes, prompting many of them to try stock trading. The explosive growth of retail trading also gave rise to Robinhood traders who were aggressive, mostly millennial traders focusing on momentum plays and high-flying stocks (see *Robinhood traders*, June 22, 2020).

Our country has seen a notable increase in online trading during the pandemic. According to the PSE, online accounts grew 24% YoY to 1.1m in 2021, comprising 72% of total stock market accounts. This coincides with rising local participation in the stock market. Since 2020, local trades accounted for 58% of total stock market value traded, up from the average contribution of 48% from 2015-2019.

WFH setup supports online trading

At the height of the pandemic and lockdowns, the PSE had to close its trading floor. Brokers utilized a work-from-home (WFH) setup to be able to continue trading and servicing their clients. Much improved internet connections and technological advancements supported this type of trading setup. Online investors now do not have to call their brokers to place an order, and brokers do not have to be in the trading floor to execute trades. Most of the trading volume is now generated outside of the trading floor.

Embracing the future

Long-time traders and brokers feel sad and nostalgic because of the announcement of the permanent closure of the trading floor. History was made there, and investors will fondly remember its role in the evolution of our stock market. Many friendships and business deals were forged in the trading floors.

Social distancing during the pandemic coupled with the convenience afforded by technology hastened the rise of online trading. Investors now have direct market access through their own trading platforms or terminals. The computerization of trading has given rise to algorithmic and high-frequency trading used by hedge funds and asset managers. These trends ushered the end of the era of the trading floor and supported the migration of the PSE to a floorless trading setup.

The rich history of the PSE is preserved in the PSE Museum. It contains old trading paraphernalia such as blackboards, trading booths, trading contracts, time stamps, as well as stock exchange seals and flags. The PSE Museum also displays photos of the old Manila and Makati Stock Exchange buildings and trading floors.

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