

Tech titans Alibaba, Tencent dive in Hong Kong on US ban fears

7 January 2021



Several US government departments are reported to be assessing the possible impact of removing Alibaba and Tencent from markets

Shares in China's two biggest companies Alibaba and Tencent tumbled in Hong Kong on Thursday in response to media reports that the Trump administration plans to press ahead with a ban on Americans investing in them.

Ecommerce titan Alibaba sank almost four percent and internet powerhouse Tencent shed 4.7 in morning trade after the Wall Street Journal said officials in multiple government departments were assessing the impact of an investment ban.

Such a move would be another blow to Alibaba, which has come under pressure from Chinese officials as regulators launch an anti-monopoly probe into it, while its fintech giant Ant Group was ordered to drastically change its business model.

The moves come as Beijing puts the squeeze on the once unbridled empire of tech tycoon Jack Ma.

The Wall Street Journal report came the same day the New York Stock Exchange reversed course for

a second time to say it would delist three Chinese telecom equities from trading owing to new US government guidance.

Wednesday's announcement capped a dizzying few days of flip-flopping in which the stock exchange announced the removal at the weekend before making a U-turn on Monday, and then saying it would go ahead once more Wednesday.

The latest decision came after Treasury Secretary Steven Mnuchin disagreed with Monday's reversal.

The three state-owned telecom giants plunged, with China Unicom shedding more than 11 percent while China Telecom was down more than nine percent and China Mobile slipped more than seven percent.

Trump issued an executive order in November banning Americans from investing in Chinese companies deemed to be supplying or supporting the country's military and security apparatus, earning a sharp rebuke from Beijing.

On Tuesday night he signed an executive order banning transactions involving Alipay, WeChat Pay and other apps linked to Chinese companies, drawing strong criticism from Beijing.

Alipay is owned by Alibaba and WeChat is owned by Tencent.

The Wall Street Journal reported that officials at the State Department, Department of Defense and Treasury Department had all discussed how to implement an investment ban on the two Chinese e-commerce giants.

Any ban could have a profound effect on US markets.

While the three Chinese telecoms firms are comparative small fry for the New York Stock

Exchange, Alibaba and Tencent are China's two largest companies.

At \$1.4 trillion, the combined market value of their primary listings is twice the size of Spain's stock market, according to Bloomberg News.

"If the bans are implemented then it'd be a huge thing for the market," Steven Leung, executive director at Uob Kay Hian (Hong Kong) told Bloomberg.

"It's still too early to say. After the Biden administration starts, the policy could change again."

© 2021 AFP

APA citation: Tech titans Alibaba, Tencent dive in Hong Kong on US ban fears (2021, January 7) retrieved 5 December 2021 from <https://techxplore.com/news/2021-01-tech-titans-alibaba-tencent-hong.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.