

Introduction



Alibaba Group
阿里巴巴集团

One of the world's largest e-commerce businesses

Involved in 80% of online shopping in China

World Top 10 most valuable companies

In 2009, Alibaba launched the 1st online Shopping Carnival on Singles' Day

Participants offer discounts to stimulate the purchases

On 11 November 2018, the total *GMV reached ¥213.5 billion



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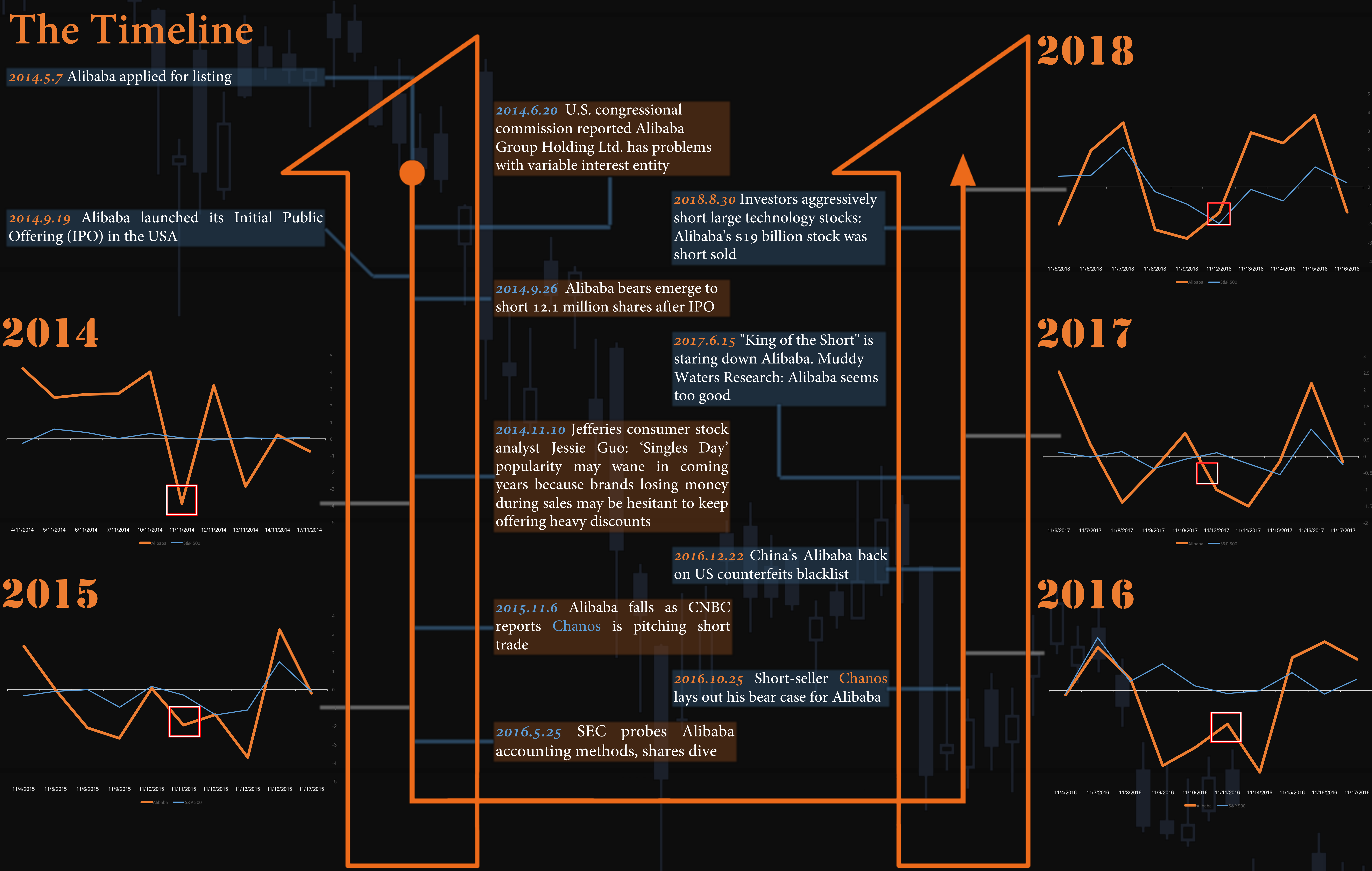


*Gross Merchandise Volume (GMV): Used in online retailing to indicate a total sales dollar value for merchandise

However, with large sales records on Singles' Day, Alibaba's stock prices had always been **decreasing** during this period from 2014 to 2018

SHADOW BEHIND THE 11·11 SHOPPING CARNIVAL

-- By Group WHY, ECON_2901_CS01



Investors believe Alibaba has potential risks



These risks might break out during the carnival




*Short Selling the stock during this period



*Short selling: The sale of a security that the seller has borrowed. A short seller profits if a security's price declines.


Possible Reasons for Short Selling

Risky Equity Structure



Alibaba's Variable Interest Entities structure use contracts instead of ownership to ensure key managers' control. For investors, it brings principal-agency problems.

Hided Accounting Details




Cainiao Network Ltd. is an express platform involved in most of Tmall and Taobao's logistics. But before year 2017, Alibaba only recorded its equity revenue from Cainiao into financial reports.

Bubbles in Huge GMVs

\$30.8 Billion?

After a spot check on Alibaba, Chinese government clearly criticized unfair competition inside the platform: Improving store reputation by creating fake sales records.

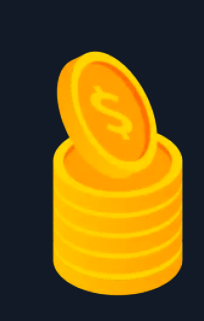
Counterfeit Problems



Fake goods have been disturbing Alibaba since its foundation. Although Alibaba always claims "zero tolerance" of counterfeits, it still went back on US counterfeit blacklist.

Analysis and Conclusion

Trading Strategy



Short-term: Singles' Day (Sell) ~ 10 trading days after Singles' Day (Buy)

Medium-term: Singles' Day (Sell) ~ 15th Dec (Buy)

Long-term: Singles' Day (Sell) ~ End of the year (Buy)

Short-term: No steady profit, even losses

Medium-term: Generally profits, but greatly fluctuates through the years

Long-term: Considerable returns, and the profit rate fluctuates much less.

Profit	2014	2015	2016	2017	2018
Short-term	3.15%	-1.15%	0.82%	-2.27%	0.94%
Medium-term	9.39%	-3.20%	4.65%	7.41%	4.49%
Long-term	14.63%	0.19%	7.43%	8.11%	9.83%

When the short selling period lasts till end of the year, profit would greatly increase. In this case, short selling is proved to be profitable and rational.