Introduction 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

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Participants offer discounts to stimulate the purchases

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

*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



Alibaba Group

阿里巴巴集团

2014.5.7 Alibaba applied for listing



2014

2015

2014.9.19 Alibaba launched its Initial Public Offering (IPO) in the USA

2014.6.20 U.S. congressional commission reported Alibaba Group Holding Ltd. has problems with variable interest entity

> 2018.8.30 Investors aggressively short large technology stocks: Alibaba's \$19 billion stock was short sold

2014.9.26 Alibaba bears emerge to short 12.1 million shares after IPO

> 2017.6.15 "King of the Short" is staring down Alibaba. Muddy Waters Research: Alibaba seems too good

2014.11.10 Jefferies consumer stock analyst Jessie Guo: 'Singles Day' popularity may wane in coming years because brands losing money during sales may be hesitant to keep offering heavy discounts

> 2016.12.22 China's Alibaba back on US counterfeits blacklist

2015.11.6 Alibaba falls as CNBC

2017

2016



Investors believe Alibaba has potential risks





*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



Hided Accounting Details

Bubbles in Huge GMVs

Counterfeit Problems



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



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.

\$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.

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.