

OptionProfessor.com Alert

July 27th, 2021

CHINA STOCKS



BY THE OPTION PROFESSOR

**OptionProfessor Alert:
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There has been a lot of news coming out of China in 2021 and it has NOT been good for investors betting on higher stock prices from China stocks. As of 7/24/21....Since Price the Highs of mid-February 2021; China Large Cap (FXI) Down 20%+, China Internet (KWEB) Down 47%+, Alibaba (BABA) Down 35%+, Tencent (TCEHY) Down 34%+, Pinduoduo (PDD) Down 54%+ , Netease (NTES) Down 25%+, JD.com (JD) Down 36%+ ,Xiaomi (XIACY) Down 39%+, Meituan (MPNGY) off 36%+ .

Do you get the idea something is going on here since Q1 of this year??

Why did we choose these companies to illustrate the repricing? Because these are some of the richest guys in China.

People complain about the Wealth Gap in the USA....China's Wealth Gap looks like the Grand Canyon!

In 2005; Jack Ma was not on the 400 richest men in China-NOW at \$54B-he would be richer than all those 400 combined!

What Happened? Our view is that the government wants to rein in these companies that have been like starving men at an all you can eat buffet line. Using something called the Variable Interest Entity which was the vehicle used to make 100's of acquisitions in a gray area which included some exemptions. The payment system and platforms are dominated by Alibaba (Alipay) and Tencent (We Chat Pay) and China Union Pay operating under the approval of the Peoples Bank of China (PBOC)

Regulation is the name of the game now probably brought on by complaints of monopoly from competitors and disruptors. Bad mouthing the government by Jack Ma wasn't a Phi Beta Kappa move. It was expensive to forget about Communism. Some people think Xi & company are too late but we see the education business is off and China ordered Tencent to give up the exclusive music rights gained thru the 2016 acquisition of China Music. Claw back is a tactic that China may use. China has been releasing strategic reserves & cancelling orders to put a lid on commodities. They have been doing maneuvers that make Japan & Taiwan uncomfortable. They have put the brakes on Bitcoin mining. They don't need Republicans & Democrats & Fox News & CNN to approve their behavior. They did not jump into the QE printing money game with Covid and their 10yr debt pays almost 3%. Great Earnings Growth, Trade Surplus, Lower Valuations, Yuan stabilizing since 2014.

OUR OPINION-The question will be whether this is a move to regulate and create a competitive environment or are their plans globally (Hong Kong Africa Taiwan Domestically etc.) to get much more aggressive after the Beijing Olympics Feb '22?

OUR CALL- These markets are OVERSOLD but our 1-2-3 yr Moving Averages are pointing down (down trends) and our Relative Strength Index readings are sub 50 (not good)....could you get a ripper rally if the news moderates....very possible ...Does China want a robust look when the world visits for the Olympics in Feb 2022....probably....It would take substantial sustained up moves to turn our averages up (time & price) so it's a catch a falling knife deal...China wants to control things

- The Option Professor, 7/27/21 at 12:01AM ET

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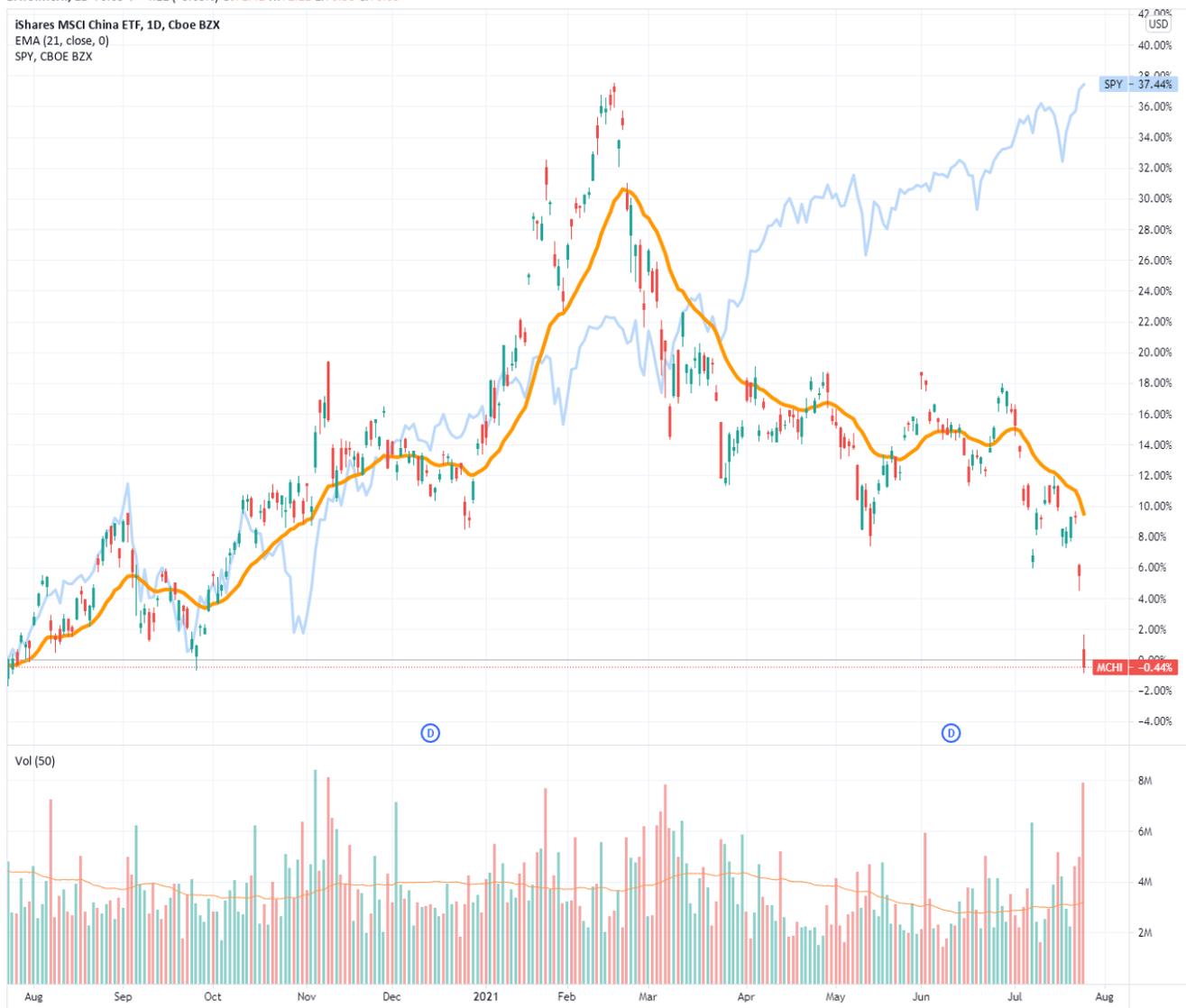
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iShares MSCI China ETF (MCHI) - 1 year

BATS:MCHI, 1D 70.63 ▼ -4.21 (-5.63%) O:71.41 H:72.11 L:70.38 C:70.63

iShares MSCI China ETF, 1D, Cboe BZX
EMA (21, close, 0)
SPY, CBOE BZX



TradingView

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