



Why Did Alibaba (NYSE:BABA) Stock Surge Almost 37% Yesterday?

Description

Alibaba ([NYSE:BABA](#)) is often dubbed as the **Amazon** in China. It's based in Hanzhou, China. BABA stock has been listed as an American depository receipt (ADR) on the NYSE since 2014.

What happened?

BABA stock has fallen about 75% from peak to trough since November 2021, before the stock price surged nearly 37% yesterday. Specifically, its peak and trough were, respectively, about US\$320 and below US\$80 per share.

The [growth stock](#) has recently traded at basement prices for a number of reasons. First, there was the potential of Chinese ADRs being delisted from the American stock exchanges. Second, Chinese government regulation can and has intervened Chinese businesses in different industries with no warning. Third, economic shutdowns in China are still happening to help contain COVID, but the downside is impacting near-term economic growth. You can see headlines, like "China just locked down 50 million people amid 'stealth Omicron' fears" and "China Covid spike: Shenzhen shuts production, Shanghai closes schools" flying around over the past few days.

Some of these uncertainties were addressed that triggered a surge in the cheap Chinese stock market. [Yahoo Finance](#) explained it well in a video. Here's a snippet of the dialogue"

"China's top financial body was saying it would ensure stability in capital markets, support overseas stock listings, resolve risks around property developers and this crackdown on big tech as soon as possible ... The banking regulator said they were going to support insurance companies to increase investment in stock markets. They're going outright start buying stocks hand over fist, and they should, because they're cheaper than ever."

China internet names surge after Beijing signals support, Yahoo Finance video

So what?

Alibaba stock is still very cheap. After the surge, BABA stock stands at about US\$105, which is still more than 40% below the 12-month consensus analyst price target of US\$186.80 across 50 analysts, according to Yahoo Finance. The leading internet retailer in China should benefit from a growing middle-class population in the country and experience good growth rates in the long run.

Observing the growth stock's long-term price chart is a lesson in itself. We never know what's going to happen to stocks. The goal is to buy low (and potentially sell high) in wonderful businesses that are profitable. Now is probably a good time to buy Alibaba stock (or cheap Chinese stocks with potential) for Canadian investors who are looking to diversify their portfolios.



BABA data by YCharts

Now what?

Although there will for sure be more volatility ahead, high-risk investors can't go wrong at the current cheap valuation if they have a long-term investment horizon. Over the next few years, BABA's stock price can double from here.

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kayng

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