

Carlsquare/Vontobel weekly trading note: Short-term opportunities in Alibaba

Alibaba's share price appears to be recovering from its previous low valuation. The company's growth is currently being driven by the expansion of the Chinese e-commerce market. However, we are more sceptical about the company's long-term prospects. Momentum has now turned positive on US stock markets, having been wait-and-see as recently as Monday 1 December. This is due to expectations that the Federal Reserve will cut its key interest rate next week.

Over the last several quarters, the bullish outlook for Alibaba Group has emphasised the importance of the Alibaba International Digital Commerce Group (AIDC) as a driver of the Company's long-term prospects. That narrative has shifted. AIDC, which had previously been growing faster than the rest of Alibaba, recorded year-on-year growth of just 10% in the most recent quarter. By comparison, the company's total revenue increased by 15%, while its China eCommerce division saw a 16% rise. Meanwhile, Alibaba's stock has slowly recovered after years of poor performance, though it remains over 35% below its 2020 peak. As the shares recover, the company's valuation is moving more in line with that of major US tech companies, with the stock currently trading at around 23 times forward earnings.

Wednesday's macro agenda is dominated by the release of the services purchasing managers' indices for November from most of the major economies, including the United States, China, Germany and Japan. However, the most important event occurs next week on 10 December, when the Federal Reserve will announce their next interest rate decision.

Please find out more in our weekly letter on certificates Vontobel.com: [Read the weekly newsletter here](#)

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