

Wealth | Investing

Bitcoin, Alibaba and Burberry: Investments in the Spotlight

Bloomberg Wealth reviews assets that made a splash this week.



Photographer: Michael Nagle/Bloomberg

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Crypto Doubts

One tweet was all it took to send **Bitcoin** reeling. On Wednesday night, **Tesla Inc.** Chief Executive Officer Elon Musk reversed course and Tweeted that his carmaker would no longer accept the world's largest cryptocurrency as payment for its electric vehicles, citing concerns over energy demands. The token's price tumbled on the news, briefly dropping as much as 15% before paring some of its losses.

Musk's tweet caused a number of Bitcoin-adjacent assets to fall on Thursday: Tesla itself, which purchased more than \$1 billion worth of the token, fell 3.1%. The stock has slid about 34% since the company announced the investment in February. **Coinbase Global Inc.**, the largest U.S. crypto exchange, tumbled as much as 11%. **Microstrategy Inc.**, which also holds Bitcoin, fell as much as 11.8%.

After a meteoric rise late in 2020, Bitcoin has gone through a mixture of rallies followed by rapid corrections over the last three months. Concerns about its ecological impact, as well as underperformance compared with alternative digital coins – including Ethereum, Litecoin and Dogecoin – have spurred speculation that the currency's best days could be behind it.

What's next? Other crypto insiders, however, think it might not be time to give up just yet. "This may be the selloff that sets Bitcoin up for new all-time highs," said David Grider of Fundstrat Global Advisors LLC. "We think the news is overblown and wouldn't be surprised if Tesla is signaling plans to make crypto 'greener.'"

Alibaba Setback

Thursday's quarterly earnings report was another blow for Jack Ma's **Alibaba Group Holding Ltd.**: The e-commerce firm, China's largest, posted a 5.5 billion yuan (\$852 million) net loss, its first since 2012, after the company incurred a \$2.8 billion fine for monopolistic behavior imposed by Beijing. Its U.S.-listed shares slid 6% on Thursday, down about 35% from their October peak.

The company now intends to refocus on its business, plowing "all incremental profit" back into technology and hotly contested areas such as community commerce, Chief Executive Officer Daniel Zhang pledged on Thursday.

What's next? Better-than-expected revenue in the coming quarters may not be enough to counteract the impact of increased spending on the company's bottom line. Profitability "may take a back seat as it steps up investments in the coming fiscal year in a bid for market expansion and greater user gains and engagement," Bloomberg Intelligence analyst Vey-Sern Ling said.

Memestock Encore

Day traders once again boosted shares of **AMC Entertainment Holdings Inc.** after spurring a 320% rally earlier this year. Earlier in the month, the theater chain reported a first-quarter loss of \$567.2 million, causing an eight-day slump. But the price rebounded after Reddit-inspired investors got involved: Shares closed up 24% on Thursday, extending a streak to five consecutive days of gains.

Movie theaters were among the industries hardest hit by the pandemic, as lockdowns forced cinemas nationwide to shutter. In January, AMC assembled over \$900 million of financing to stave off a bankruptcy filing.

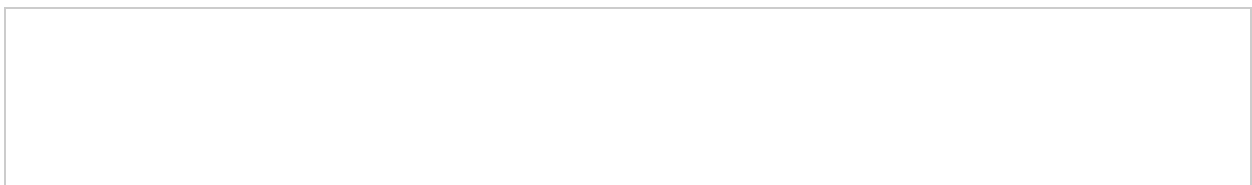
With nearly all of AMC's U.S. theaters open and Covid restrictions gradually being lifted, there's hope that moviegoing habits might be returning to normal sooner rather than later.

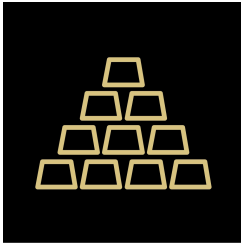
What's next? Indications that the pandemic is coming to a close are a welcome sign, but the company "still faces challenging fundamental trends, given the industry may not significantly recover from the pandemic until 2022," Bloomberg Intelligence analyst Geetha Ranganathan said. "Theater reopenings, especially in New York and Los Angeles, are a bright spot, yet we think box-office sales may drop more 55% this year as films get delayed."

IPO Woes

Shares of **Alphawave IP Group Plc** disappointed investors in its initial public offering. The Canadian semiconductor company sank as much as 24% on its first day of trading in London, spurring criticism that the company priced its shares too high given the current environment.

The disappointing IPO came amid a broader tech-stock sell-off: The tech-heavy Nasdaq has fallen more than 5% so far in May, as growing apprehension about extreme valuations and the risk that inflation will erode future profits have sparked a worldwide rout across the sector.





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What's next? Timing deserves a large share of the blame for the lackluster debut. “As it turns out, through sheer bad luck, Alphawave IP is coming to market in a volatile week,” said AJ Bell analyst Jenny Owen, citing unrest in the Middle East, inflation fears, and concerns over Covid outbreaks in India and Taiwan. Nevertheless, she adds, the stock “did come with a lofty valuation, so perhaps the company and its advisers need to assess whether they asked for too much, especially given current market conditions.”

Luxury Malaise

Not all post-lockdown recoveries are equal: Shares of **Burberry Group Plc** fell as much as 10% on Thursday after it reported sales remained below 2019 levels, showing that the company is trailing some of its peers.

Demand for luxury goods was expected to surge this year, as consumers stuck at home for the better part of 2020 made up for lost time. Comparable store sales in the three months through March did rise, but revenue was still below the level of two years earlier. Meanwhile sales at rivals **LVMH** and **Hermes International** both exceeded 2019 amounts last quarter.

Burberry announced a capital spending project as part of a plan to catch up. It will spend as much as 190 million pounds (\$267 million) on store refurbishments, digital offerings and information technology.

What's next? The brand's new medium-term guidance implies a slower-than-expected improvement in profit margin, Morgan Stanley analyst Elena Mariani said. “Having said that, the confident tone on the next strategic chapter of the Group and on the sales organic growth pick-up will probably resonate well with investors.”

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