TRADE WAR

Markets punish multinationals dependent on China

Investors wary of risk that earnings will suffer from trade war with US

TAKEHIRO HASEGAWA, Nikkei staff writer
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Micron Technology's chip fabrication facility in Hiroshima, Japan.

TOKYO -- A year into the Sino-American trade war, shares of global corporations with significant Chinese business are underperforming those without.

Nikkei took dollar-based stock prices for 300 companies with the world's largest market capitalizations and compared them against the end of June 2018, just before the trade war began. At enterprises generating 20% or more of their total sales in China, share prices were up just 1%. But at companies earning 5% or less, stock prices rose 8%.

Major U.S. chipmaker Micron Technology, which generates 57% of its sales in China, suffered a 26% drop in its stock price. The share price tumbled 31% for compatriot Nvidia, whose China business accounts for 23% of total sales. South Korea's **SK Hynix**, which earns 38% of its sales in China, suffered a 22% drop.

These companies were impacted by the growing view that they will be hurt by American restrictions on exports to China's Huawei Technologies.

Huawei said its sales over the next two years will likely be $30 billion less than originally envisioned. Last month, semiconductor company Broadcom downgraded its sales forecast for the year through October.

Meanwhile, shares in companies not so heavily reliant on China were up. U.S. drugmaker Merck, where Chinese sales account for just 5% of the total, has gained 38%.

Markets have been affected in proportion to their ties to the Chinese market. Stock prices are down in South Korea and Taiwan, whose exports to China account for a large percentage of gross domestic product, while share prices increased in Brazil, Russia and India.

"There are concerns that the South Korean and Taiwanese economies will be depressed by the U.S.-China trade war, which led to foreigners pulling out funds," said Kota Hirayama of SMBC Nikko Securities.

Recently, investors have been buying back companies with significant business in China since the Chinese and American leaders agreed June 29 to resume trade negotiations.

But "it is unclear what they will agree on, so the risk of additional tariffs remains," said Masahiro Ichikawa of Sumitomo Mitsui Asset Management, echoing a widely held view.

The percentage of China sales was based on data from QUICK FactSet, part of which was estimated.

Nikkei staff writer Shuichiro Sese in Tokyo contributed to this report.