China chip stocks lose $8.6bn in wipeout due to US export controls

Lockett, Hudson

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FULL TEXT

Shares in top Chinese chipmakers shed $8.6bn in market value on Monday, as new US export controls threatened to obstruct Beijing's plans for technological self-sufficiency.

Semiconductor Manufacturing International Corp, China's largest chipmaker, fell 4 per cent in Hong Kong, while Hua Hong Semiconductor tumbled 9.4 per cent and Shanghai Fudan Microelectronics plunged 20.2 per cent.

The sharp losses came after Washington unveiled new export controls on Friday that restrict the sale of semiconductors made with US technology unless vendors obtain an export licence.

The controls also bar US citizens or entities from working with Chinese chipmakers without explicit approval and limit the export of manufacturing tools that would allow China to develop its own equipment.

The US commerce department said on Friday that it had added 31 companies to its "unverified list" in an effort to make it more difficult for Chinese companies to manufacture or obtain advanced computer chips vital to cutting-edge technologies.

Shenzhen-listed Naura Technology, which said one of its units had been added to the list, fell the maximum 10 per cent allowed in Shenzhen on Monday. Other major losers in mainland Chinese markets included ACM Research Shanghai and Advanced Micro-Fabrication Equipment.

"Most of the new companies are not listed, but the restrictions are still affecting overall sentiment in the market," said Dickie Wong, head of research at Kingston Securities in Hong Kong.

The restrictions had already sent the Philadelphia Stock Exchange Semiconductor index down more than 6 per cent on Friday as analysts warned that Chinese chip producers would take a substantial hit from the new restrictions. The Chinese semiconductor market, based on end users, accounts for almost a quarter of global demand.

"The tensions between China and the US are not going to ease up, so any addition to any entity list is not going away," Wong added. "We have to expect that in the near term, more companies will be added to the list as well".

The falls for Chinese chipmakers outstripped losses for broader Chinese markets as traders returned from a week-long national holiday in the mainland. The CSI 300 index of Shanghai- and Shenzhen-listed shares fell 2.2 per cent while benchmark Hong Kong's Hang Seng index fell 3 per cent.

"Washington is never going to back down on this," said Andy Maynard, a trader at brokerage China Renaissance, adding that share price volatility was being exacerbated by low turnover.

Traders said the restrictions were also expected to hit big suppliers across the rest of the Asia-Pacific region, but that any market reaction in Japan, South Korea and Taiwan would be delayed until those markets returned from national holidays on Tuesday.

Crédito: Hudson Lockett in Hong Kong

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