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Tesla Stock Has Fallen Below \$700. Why \$540 Might Be Next.

By [Al Root](#) Follow Updated May 23, 2022 4:19 pm ET / Original May 23, 2022 10:04 am ET



Tesla stock hit \$1,200 early in the year and almost \$1,150 in April. Then it started dropping.

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Tesla [TSLA +7.33%](#) stock has been badly battered in recent weeks. It's breaking key support levels that fundamental investors might want to note.

Coming into Monday trading, Tesla (ticker: TSLA) shares are off about 38% since the end of March. The S&P 500 [SPX +2.47%](#) is down about 14% over that span. The [Nasdaq Composite](#)

is down about 20%.

Pretty much everything has gone wrong for Tesla (ticker: TSLA) investors in the past few weeks. The company's most productive plant in Shanghai was shut and is now operating at reduced capacity because of Covid-19 lockdowns in China. Reuters reported Monday that adding more employees to increase production is being pushed out a few days.

The delay might be why Tesla stock is down in early trading Monday. A documentary on Hulu produced by the [New York Times](#) about Tesla's driver assistance features probably isn't helping either. The documentary gives the impression Tesla's system isn't as safe as other systems. An accident from 2016 is featured prominently. Tesla's system was exonerated by the National Highway Traffic Safety Administration in that incident. Tesla, for its part, produces [quarterly safety reports](#) that indicate Teslas are some of the safest vehicles on the roads, and says its driver assistance features required driver supervision 100% of the time.

Tesla didn't respond to a request for comment about Shanghai production or the documentary.

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1.1%, respectively, to start at week.

Tesla stock has fallen 0.5% at 11 a.m.

Monday, while the S&P 500 and Dow Jones Industrial Average

[DJIA +1.76%](#) have gained 1.5% and

Then there is the market selloff and CEO Elon Musk's potential purchase of [Twitter](#) (TWTR), which has been a distraction for investors and led to Musk selling a large block of Tesla stock to help finance his deal.

Inflation is hurting too. Wells Fargo analyst [Colin Langan](#), for instance, downgraded General Motors [GM +3.07%](#) (GM) and Ford Motor [F +3.89%](#) (F) stock, and cut his Tesla price target in mid-May, after coming to the conclusion that the prices for battery materials, such as lithium, would be elevated for years to come.

All the bad news has left Tesla stock trading about 28% below its 50-day moving average and 27% below its 200-day moving average. The 50-day moving average, at about \$922 a share is still higher than the 200-day average of about \$913.

The crossing of moving averages is one sign traders look for. The 50 going below the 200 is a bad sign. A few more days of trading like recent returns and investors will have to deal with that along with everything else.

Tesla "has confirmed an intermediate-term breakdown below support defined by the January low," Fairlead Strategies managing director Katie Stockton tells *Barron's*. Stockton holds a CMT, or chartered market technician designation.

The January low was about \$792. Tesla stock closed below that in mid-May. "The breakdown gives the chart the look of a "double-top" formation, and our long-term gauges suggest the downtrend may keep hold through the summer months," adds Stockton.

A double-top is, essentially, an "M" in the stock chart. Tesla stock hit \$1,200 early in the year and almost \$1,150 in April. Then it started dropping, which is a bearish sign to technical traders.

Stockton says support for the stock looks to be in the \$540 range. That is down another 19%. Whether or not shares ever get there is dependent on a number of things, including Shanghai production, earnings and, of course, whatever the market does.

Fundamentals rule the day in the long run, but charts tell investors a lot about what is going on fundamentally—and what is going on with investor sentiment.

Write to Al Root at allen.root@dowjones.com
