

Tesla shares plunge after US fraud suit against Musk

September 28 2018



The US Securities and Exchange Commission has filed a lawsuit accusing Tesla's Elon Musk of securities fraud

Tesla shares plunged Friday in the first session since US securities regulators sued chief Elon Musk for fraud, with the company shedding

more than 10 percent as US stocks retreated.

About 20 minutes into trading, the Dow Jones Industrial Average down 0.1 percent at 26,409.49.

The broad-based S&P 500 shed 0.2 percent to 2,909.67, while the tech-rich Nasdaq Composite Index declined 0.3 percent 8,019.29.

Tesla was off about 11 percent at \$273.60 following a bombshell announcement by the US Securities and Exchange Commission late Thursday that it was charging Musk for making "false and misleading" statements on Twitter on a now-aborted effort to take the electric car maker private.

The SEC is seeking to bar Musk from serving as an officer of a publicly traded company.

Analyst notes said the SEC's move would likely increase the costs for Tesla to raise capital and could bolster private litigation against Tesla over Musk's claims on going private, while the prospect of Musk's complete removal was also worrisome.

"We believe it is important for the confidence of investors that Mr. Musk remain involved," said a note from JPMorgan Chase.

"We believe that the perceived 'magic' and 'mystique' of Elon Musk on the part of a large contingent of investors is a key reason the stock has commanded the lofty valuation multiples it has in recent years," the note added.

A key US inflation measure, the Personal Consumption Expenditures price index, rose 2.2 percent in August, down from the 2.3 percent recorded for May, June and July.

The respite from sustained price pressures follows the Federal Reserve's decision this week to raise interest rates.

US investors were also monitoring European bourses, where stocks fell sharply after Italy's new government reached a deal on a much higher deficit, risking a big fight with Brussels.

© 2018 AFP

Citation: Tesla shares plunge after US fraud suit against Musk (2018, September 28) retrieved 23 May 2024 from <https://phys.org/news/2018-09-tesla-plunge-fraud-musk.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--