



How Should You Play Magna International Inc.?

Description

The auto sector had a great summer and many analysts and experts are now wondering whether the sector is running out of steam. Four months ago, I [asked](#) which company was a better buy — **Magna International Inc.** ([TSX: MG](#))([NYSE: MGA](#)) or **Martinrea International Inc.** ([TSX: MRE](#)).

That was back when the stock was trading \$10 higher than it is today. The company is undoubtedly a quality buy, but should investors be worried about its recent sluggish performance? Or should they instead take advantage of lower valuations and get in?

Magna is a world-class company that develops, manufactures, engineers, supplies, and sells automotive products. It operates throughout North America, Europe, and Asia. It has 315 manufacturing operations and 82 product development, engineering, and sales centers in 29 countries (and counting), which makes it one of North America's largest auto parts manufacturers — if not *the* largest.

Just a few days ago, the company signed a deal to buy auto parts maker **Techform Group of Companies**. And although the terms of the deal were not released as it is expected to close next month, the latter company has a whole host of factories in Canada and around the world and the deal would add to Magna's expansion plans. Techform is a company that makes hinges, door-locking rods, and other auto parts.

Additionally, Magna announced it will open two more facilities in India as it continues its expansion plans and goals to take over the world, one automotive spare part at a time (OK, maybe that's a tad dramatic). But you get my point. The company continues to show strong growth primarily via acquisitions and steady earnings. Most analysts have a "buy" rating on the stock, while a few have a "hold" and almost none have a "sell."

But coming back to the questions I raised at the start: How do you play this stock given current market conditions? Well, if you already own the stock, I say hold on to it — it's a quality purchase and a company like Magna is always valuable.

If you don't own the stock yet but are interested and aren't sure about the best time to buy, I suggest

taking a step back and waiting to see how the stock plays out during the month. October is generally known to be one of the worst months in terms of volatility, often witnessing some of the year's sharpest falls as well as highest gains. And if we are to go by yesterday's market performance, we're definitely in for a lot more downside, which is a great time for investors to get in. So take your time and pace yourself. You may just end up with one of the best bargains of the year.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:MG (Magna International Inc.)

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