



Want Immediate Profits? Buy Magna International Inc.

Description

Magna International Inc. ([TSX:MG](#))([NYSE:MGA](#)) stock has appreciated dramatically since the end of the last recession, climbing a whopping 374% over the past five years.

Supporting this rally has been an increased demand for automobiles fueled by pent-up demand as during the recession many delayed the purchase of new vehicles until their financial position improved. Once consumers were more confident in their financial position, they were willing to increase purchases, and this included automobiles.

Will the auto rally continue?

Auto sales increased with such impetus that many are convinced that these good times can't last forever. This is a valid concern. Everything economic is cyclical, and with such robust demand over the past five years its realistic to consider a slow down. However, this slowdown won't happen yet, and in the meantime Magna International stock could have another great run.

Why 2015 could be a banner year for Magna International

According to JD Power & Associates, retail auto sales in the U.S. will climb to a record high in 2015, hitting 13.83 million, just above the prior record of 13.8 million reached in 2004. Total U.S. industry auto sales, which includes the sale of fleet vehicles, will take the figure to 17 million.

With U.S. auto sales so important to Magna's business, 2015 could be another great year for the company's stock. Magna manufactures auto parts and its biggest customers are the major U.S. automakers: Chrysler LLC., **Ford Motor Company**, and **General Motors**. Other major customers include **Bayerische Motoren Werke AG** (BMW), **Tesla Motors Inc.**, and **Toyota Motor Corp.**

Challenges on the horizon

Vehicle sales are imperative for Magna International's performance, and 2015 will likely be a good year, but a slowdown is on the horizon. Not only will the cyclical nature of vehicle sales play a part in the slowdown, one other factor, a factor that will likely contribute to a spike in sales over the near term

could take a bite out of longer-term demand.

The U.S. central bank is likely to start increasing its benchmark interest rate this year, and this in turn will impact interest rates when Americans borrow money, which includes vehicle loans. While there is some talk about Canada increasing interest rates, it is not as conclusive as the Americans with low oil prices putting a damper on the economy. Even if Canada keeps interest rates low, if U.S. interest rates are increased this will have a bigger impact on automotive demand simply because the U.S. has more consumers.

The fall out of increased interest rates

Once interest rates are increased, it won't all be over for Magna International, in fact it may encourage a short-term increase in purchases by those looking at locking in a lower interest rate for their vehicle loan. Forecasts for a robust 2015, and the fact that an interest rate increase could spike purchases are why Magna International is a great buy for those looking for an investment that could appreciate dramatically in the short term. Investors looking for longer-term holds should look elsewhere.

CATEGORY

1. Investing

TICKERS GLOBAL

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