



Why Magna International Inc. Is Your Top Industrial Pick for 2015

Description

Here in Canada we have a rather limited pool of companies to choose from when we set out to build our portfolios. In 2015, those few choices have dwindled down even further as the energy sector looks to be in the dumps for the rest of the year. That is why it is so important to look for that small handful of companies that will reap the benefits from all the turmoil.

One segment of the market that has gone unnoticed that past few years is Canada's industrial sector, thanks in part to the near parity of the loonie and the U.S. dollar. Now things have changed and the industrial sector is primed to re-enter the limelight, with the star being **Magna International Inc.** ([TSX:MG](#))([NYSE:MGA](#)).

The dwindling dollar

Back when the loonie was at its high point, Magna, along with most exporting industrial companies, began to witness its American business dry up. Even Magna felt the pressure in its operations as fears grew that the big three U.S. auto makers would seek out its auto parts from Mexico or China to save on costs.

Just a few short months ago in May 2014, Don Walker the CEO of Magna stated that "at 85 cents, we're already winning business in the Canadian plants. At this level we can be competitive." Yesterday the loonie closed at \$0.845 against the U.S. dollar giving Magna prices that are attractive enough to keep its business with Auto Makers.

A crash at the pumps leads to a surge in the showroom

Let's make one thing clear, 2014 was a great year for auto sales in Canada. Over the summer numerous sales records were broken and by year end, 1.85 million cars were sold in the county. Many did not expect this trend to continue into 2015, but something unexpected happened: crude oil prices took a trip back in time and changed everything.

This in turn has brought down the price of both gasoline and diesel to levels unseen for some time and there are some regions where the price of regular gasoline is under \$1.00. It is the same story south of

the border and this has led to a surge in auto sales. This is especially evident by the recent spike in SUV and truck sales on both sides of the border. Here in Canada, truck sales in 2014 rose by 11%, going against the trend of smaller more efficient vehicles. It appears that the allure of cheap gas in the short term is enough to get people buying.

In December alone we see some truly staggering numbers here in Canada: **Chrysler** saw a 40% increase in sales in December while **General Motors** saw its Canadian sales in December rise by 13%, as a whole nationwide auto sales rose by 16% in December.

All of this is great news for Magna as the big three U.S. automakers make up a significant portion of its sales. This trend of record auto sales has potential to continue until the spring clearing out car dealership lots, which up until 2013 have seen little movement.

The perfect storm

For Magna, these record sales will take a little longer to make a difference to the company's financials, as many auto companies have already launched the first wave of their 2015 offerings. If these sales continue auto manufacturers will undoubtedly increase their production rates going forward leading to more purchases from Magna.

CATEGORY

1. Investing

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1. NYSE:GM (General Motors Company)
2. NYSE:MGA (Magna International Inc.)
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Date

2025/08/18

Date Created

2015/01/12

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