



## Magna International Inc.: A Company That Loves \$30 Oil

### Description

As oil prices touch US\$30 per barrel, some big winners and losers are emerging among Canada's largest companies. One of the biggest winners is auto parts supplier **Magna International Inc.** ([TSX:MG](#))([NYSE:MGA](#)), and we look at three reasons why below.

#### 1. More drivers

This should be fairly straightforward. As oil prices decrease, so do gasoline prices, which encourages people to drive their cars more. This in turn causes more vehicle wear and tear, helping to drive new car sales. Of course, that helps drive demand for Magna's auto parts.

With so many steps involved, this dynamic will take some time to play out, especially since gasoline prices are falling more slowly than oil prices. But you should see some support for Magna's bottom line for many years to come.

#### 2. Larger vehicles

Magna tends to have greater market share among larger vehicles, at least in the United States. Of course, these tend to be the ones with worst fuel economy.

So as gas prices decrease, there's more incentive to purchase these vehicles, providing a nice boost to Magna.

#### 3. The right countries

There are also some big winners and losers among countries. And there are a lot more winners.

For example, lower gas prices have put extra cash in the pockets of most Americans, Europeans, and Chinese. Even in Canada, a big oil exporter, there are large parts of the population that benefit from oil's collapse.

There are fewer losers as the effect is greater in these countries. For example, low oil prices are

threatening countries such as Venezuela, Russia, and Nigeria. Canada is also affected, but the effect is mainly felt in oil-producing provinces such as Alberta.

This is good news for Magna, since most of its sales are in the United States or Western Europe. China is also a big growth area for the company.

### **Does that mean you should buy the company?**

There are plenty of ways to bet against oil prices, and Magna is a great way to do so.

Another way is to simply buy American stocks. But if you hold a broad portfolio of Canadian equities, you should make sure you're not overly exposed to oil prices.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

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2. TSX:MG (Magna International Inc.)

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