1 Industry and 2 Canadian Stocks I'm Avoiding Like the Plague

Description

As an investor looking to invest for the extremely long term, it's important to consider potential technological disruptors that may hurt a company's fundamentals in five years from now, a decade from now, and beyond.

Sure, you could adjust your portfolio if your thesis changes in time, but for your core holdings, I believe an investor should be comfortable holding a particular stock if the exchanges were to close for the next five years. That's Warren Buffett's approach to long-term investing, and it's paid huge dividends over the decades he's been investing.

The concept of a "moat" has become as important as ever with technological disruptors looking to steal market share of industries that used to be thought of as insulated from advances in tech. These days, however, there are very few industries that are safe from technological innovations, and if firms are shying away from tech, I believe that's a sign that a company could be in for trouble as the years pass.

Unfortunately, sometimes certain industries go belly up, regardless of how well a management team is able to adapt and leverage new technologies to their advantage. Consider the auto industry, one that I believe is in major secular decline. You're probably well aware that self-driving vehicles and ride-share services like Uber are the future.

While many pundits are forecasting self-driving vehicles to become "the norm" at some point over the next five years, I actually think it'll take at least a decade before self-driving cars become mainstream. In addition, manually driving cars could become illegal, as technologies improve and reduce the number of accidents related to human error on the road.

Won't people just buy self-driving cars to replace their existing cars?

Yes, but a majority of folks would probably opt to just use an Uber-like service, which would summon a parked self-driving vehicle that's near them. This way, the average commuter wouldn't have to worry about the ridiculously high costs that come with owning a vehicle.

Car ownership is an expensive burden, and when given the chance, I believe a majority of people would give up their ability to own a car if Uber-like services were safer and cheaper, which I believe they will be in a decade from now. If you're a millennial, the last thing you want to do is make small-talk with an Uber driver, and as self-driving Ubers hit the road, I don't think there will be any point in owning a vehicle of your own.

Personally, I'm avoiding all auto part manufacturers, like **Magna International Inc.** (TSX:MG)(NYSE:MG) and car dealership firms like **AutoCanada Inc.** (TSX:ACQ), since they're going to experience massive headwinds over the next decade as we enter the era of self-driving vehicles you can summon. I believe fewer cars will need to be manufactured, and a lot fewer vehicles are going to be sold, as I think car ownership will experience a major secular decline over the next decade.

Such stocks will likely be fine to own over the next three years or so, but if "summonable" vehicle tech arrives sooner than expected, I think investors should brace themselves for headwinds that will only get worse each year.

Bottom line

While the "avoid everything auto" strategy may seem far-fetched right now, I think you can agree we're moving into an era where car ownership will become a thing of the past. The convenience and affordability of new transportation tech will be the driver of this change.

It may be too early to be afraid of auto stocks; however, I don't think you're missing out on much, since there are better opportunities that exist in the market today, such as **BlackBerry Ltd.** (TSX:BB)(NYSE:BB), which is on the right side of the change that the autos are slated to experience over the next decade.

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