NYSE, NASDAQ, or TSX: Which Holds the Best Entry for Chinese Stocks?

Description

Here are a few stocks in the North American markets that are set to do well from a surging China. All three stocks chosen have excellent balance sheets and good to exceptional growth forecasts. We've selected one from each of the main North American stock markets: the NYSE, the NASDAQ, and our very own TSX.

While the domestic stock chosen here is clearly good value for money right now and pays an enticing dividend, are these two U.S.-floated Chinese stocks worth buying at today's prices? Let's see which stock exchange holds the best entry for exposure to this growing Asian economy.

Alibaba Group Holding Ltd. (NYSE:BABA)

With huge growth potential, this could prove to be a truly gravity-defying stock. Via a raft of subsidiaries, Alibaba provides online and digital commerce to the People's Republic of China and beyond.

Alibaba is one of China's top stocks, and unfortunately its share price reflects this. Currently overvalued by around 30% of its future cash flow value, Alibaba's multiples are alarmingly overheated.

Let's start with that P/E of 51.5 times earnings. While this may be indicative of high growth (it is), the rest of its value-related multiples are unacceptable: that PEG of 2.3 times growth is a big red flag (no pun intended), while a P/B ratio of nine times book should be enough to send investors looking elsewhere.

An expected 22.3% annual growth in earnings seems about right for a stock of this calibre, though it's unlikely that growth investors will see an entry point in this NYSE favourite any time soon.

Baidu, Inc. (NASDAQ:BIDU)

The leading Chinese internet search engine Baidu is unsurprisingly overvalued by around 25% of its future cash flow value. Its multiples are a little wild, too: check out that P/E of 27.1 times earnings. While its PEG isn't too bad for a stock of this quality at 1.7 times growth, the P/B ratio of 5.1 times book is enough to turn off new investors.

So much for the NASDAQ's hottest Chinese stock, though a 15.6% expected annual growth in earnings should interest growth investors watching this one for a dip.

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

Magna recently made of the most significant deals for the Canadian stock market in 2018, partnering with **Beijing Electric Vehicle Co.** in a pair of connected manufacturing initiatives designed to provide electric vehicles for the Chinese market.

Investors interested in gaining exposure to Asian EVs should also consider domestic cobalt, gold, and lithium stocks. Be aware, though, that upside for the latter may last only as long as the current supply bottleneck.

Magna is discounted at 25% of its future cash flow value. It's a great start, which is made even better by a nice, low P/E of 9.7 times earnings. Moving on to its PEG, we can see that Magna is a little warm at 1.5 times growth, with a P/B of 1.8 times book confirming a slight overvaluation.

A 6.4% expected annual growth in earnings tempers this a little, as does a dividend yield of 2.11%, giving the TSX the clear advantage for China-exposed stocks.

The bottom line

While Magna is a clear buy at the moment, Alibaba and Baidu are overtly bad value right now. While there is likely still some upside in the latter two stocks, it may be too late to get into them. Congratulations if you're already invested, but if not, you'll have to watch for a dip so far as these two Chinese superstars are concerned. Meanwhile, Magna offers a far better value entry into the Chinese economy for Canadian investors today.

So, do you look to the NYSE, NASDAQ, or TSX for Chinese exposure? Going by the most obvious stocks alone, the TSX wins hands down if you're just getting started.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NASDAQ:BIDU (Baidu, Inc.)
2. NYSE:BABA (Alibaba Group Holding Limited)
3. NYSE:MGA (Magna International Inc.)
4. TSX:MG (Magna International Inc.)

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