Should Canadian Investors Really Swap Miners for These Auto Stocks?

Description

Investors looking at the ever-changing world of auto stocks may want to think outside the box when it comes to the electric vehicle (EV) market. Mining stocks are a great way to add exposure not only to EVs, but to tech in general, while offering pure-play options for investors who are commodity focused.

However, the goalposts are shifting, and investors looking for long-term exposure to EVs may be wise to look elsewhere. Battery-powered technology is currently focused on lithium and cobalt, the latter of which is on the way to becoming one of the world's highest-priced assets in the mining sector. Is this good for the electric car market? No, and that's why things are about to change.

The new car revolution has some unlikely players

Other ideas include investing in the tech that powers self-driven cars, such as semiconductors. Consider **Nvidia** (NASDAQ:NVDA), for instance, a stock more famous for the graphics cards used primarily in the gaming industry.

Nvidia is expensive today, but it's a good choice for anyone looking to own stock that gives direct exposure to the cutting edge of semiconductor tech. A low level of debt, last year's return on equity of 49%, and a dividend yield of 0.24% show that Nvida knows how to use shareholders' funds, even if it doesn't reward those shareholders with sizable payouts. All of these points together make for a good-quality stock, however.

A 17.1% expected annual growth in earnings doesn't tell you everything you need to know about the potential of this stock; it has enough upside to warrant not being cheap, and the gaming sector is looking at sustainable growth. Advances in Nvidia's tech, such as its recent RTX 2000 series graphics cards, will see stock climb accordingly, and the bigger those advances are — and the more of a market share Nvidia can carve out for itself — the bigger the gains will be for investors.

Tesla isn't the only electric car stock

And it certainly isn't the cheapest either. Beating **Tesla** on value and quality is one of our very own auto stocks that's starting to muscle in on its turf: **Magna** (TSX:MG)(NYSE:MGA) recently inked a deal with **Beijing Electric Vehicle Co.** in a pair of interlinked manufacturing proposals that will supply China's potentially huge electric car market for years to come.

But is Magna stock a buy today? You bet it is. Though both stocks are discounted by around 30% of their future cash flow values, in stark contrast to Tesla, Magna's market fundamentals are nearly perfect: look at that P/E of 8.2 times earnings, that very acceptable PEG of 1.4 times growth, and P/B of 1.7 times book. A 2.43% dividend yield offers something Tesla can't, though Tesla is looking at a far higher growth of 68.1% in expected annual earnings compared to Magna's 5.7%.

The bottom line

EV stocks themselves are a safer play for investors looking for exposure to that market, while semiconductor stocks likewise offer a better alternative to metal mining entities. While cobalt and lithium are still highly lucrative plays, stocks like Magna and Nvidia are better long-term investments, with both likely to be key players in the EV market for years to come.

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