TFSA Investors: Should You Consider These 2 Auto Stocks?

Description

The Canadian auto sector took its lumps in 2018 but ended the year on a positive note as the United States-Mexico-Canada Agreement (USMCA) was officially signed in late November. The agreement capped off months of talks that threatened to spiral into a trade battle that threatened the North American auto sector. The USMCA has yet to be ratified in U.S. Congress, and the U.S. government shutdown has further slowed this process.

Regardless, the odds are that the deal will be ratified at some point in 2019. That stability is a positive for the auto sector, but manufacturers are still facing challenges going forward. Back in October, I'd focused on stocks to target for those betting on the "Buy Canada" trade. That momentum has arrived several months late, but it is still worth revisiting the top stocks in the auto sector in early 2019.

Today, we will look at the top two automotive suppliers in Canada. Should TFSA investors make either one a target in January? Let's dive in.

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

Magna International is currently the largest automobile parts manufacturer in Canada and North America at large. Shares have climbed 7.7% this month as of close on January 14. The stock is down 10% year over year.

Magna is expected to release its fourth-quarter and full-year results for 2018 in late February. In the third quarter, the company posted record third-quarter sales of $9.6 billion and record adjusted diluted earnings per share of $1.56. However, at record levels, sales came in lower than expected due to slumping light vehicle production. For the first nine months of 2018, Magna reported sales of $30.69 billion, which was up 14% from the prior year.

Magna also declared a quarterly dividend of $0.33 per share, which represents a 2.6% yield. The stock last had an RSI of 63, which is veering near overbought territory at the midway point in January. Investors looking for equities to stack in their TFSA may want to wait for a pullback before stacking Magna today.

Linamar (TSX:LNR)

Linamar is the second-largest automobile parts manufacturer in Canada. Shares have climbed 6.9% in 2019 so far. The stock is down 34% year over year.

Linamar is expected to release its fourth-quarter and full-year results in early March. The company reported a very strong third quarter, but this was not enough to generate momentum in late 2018. Sales climbed 18.6% year over year to $1.8 billion, and Linamar reported strong content per vehicle growth in North America and Europe.

The stock last boasted an RSI of 58 as of close on January 14. Shares are only $6 off 52-week lows, but the stock has dragged on in neutral territory in early 2019. The board of directors last announced a quarterly dividend of $0.12 per share, which represents a modest 1% yield.

Linamar had the most to lose from a scuttling of NAFTA, so the tentative USMCA deal was welcome news. However, the stock may continue to face volatility until ratification. **JPMorgan Chase** analysts put odds of a 2019 ratification at 70%, but there is still a chance that the political warfare between the Democrats and Republicans could torpedo the deal.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:LNR (Linamar Corporation)
3. TSX:MG (Magna International Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/08/23
Date Created
2019/01/15

Author
aocallaghan