



## Alert: 2 Auto Stocks to Watch This Spring

### Description

In late 2018 I'd [discussed some of my concerns](#) about the auto industry heading into this year.

According to DesRosiers Automotive Consultants, employment in the auto sector increased 2.7% in 2018 to 823,052 employees. This total included “direct and ancillary subsectors” such as car rental companies and vehicle assemblers. DesRosiers concluded that the Canadian auto industry was in good shape entering 2019.

Should investors take this as a sign to jump into stocks connected to the sector? Not necessarily. Let's look at two that fit the bill today and determine which stock is worth picking up.

### AutoCanada ([TSX:ACQ](#))

AutoCanada is an Edmonton-based company that operates car dealerships across Canada. Shares have jumped 12.4% in 2019 as of close on March 11. However, the stock is still down 38% year over year.

The company is set to release its fourth-quarter and full-year results for 2018 later this month. Auto sales fell year-over-year in 2018, but still exceeded the two million mark. Historically it was a strong year, but experts are forecasting challenges into the next decade. Canadian vehicle sales fell 2% year-over-year in the month of February. Some experts cast blame on the extreme cold weather that Canadians contended with last month.

In its third-quarter report, AutoCanada warned of headwinds in the automotive sales sector, reiterating that most were expected softer volumes this year. AutoCanada leadership expressed confidence that the company can scale its geographic presence in the face of a fragmented environment for most dealers.

AutoCanada is pricey ahead of its next earnings release. It boasted an RSI of 62 as of this writing, which puts it close to overbought territory right now.

## Magna International ([TSX:MG](#))([NYSE:MGA](#))

Magna International is the largest automotive parts manufacturer in Canada. Its stock has climbed 9.1% in 2019 so far, and shares have dropped 1% year over year.

Back in January I'd recommended that investors [await a pullback](#) before stacking Magna ahead of its fourth-quarter earnings release. Early February provided that opportunity. Magna released its fourth-quarter and full-year results for 2018 on February 22. Sales hit a record \$10.1 billion in Q4, up 5% from the prior year. The company elected to raise its quarterly cash dividend by 11% to \$0.365 per share.

For the full-year Magna achieved record sales of \$40.8 billion, which represented a 12% increase from 2017. It also posted record diluted earnings per share of \$6.61 — a 13% year-over-year jump. The company is projecting a softer sales environment in 2019, with a total sales range between \$40.2 billion and \$42.4 billion. Magna forecasts net income between \$2.1 – \$2.3 billion, which would represent largely flat growth year over year.

Slowing global growth means that Magna will finish this decade facing serious challenges. The USMCA was good news for those stressing over trade, but Magna stock will be hard pressed to produce the kind of growth it has over the past decade to investors.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:ACQ (AutoCanada Inc.)
3. TSX:MG (Magna International Inc.)

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