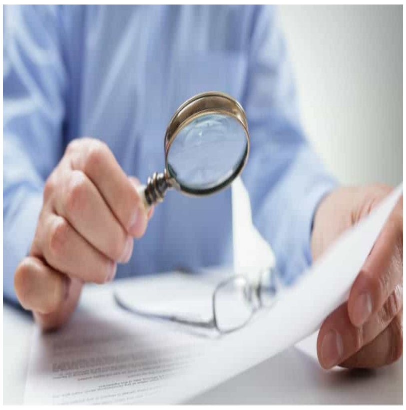

1 Surprisingly Defensive Auto Stock to Drive Up Your Dividends

Description

What are you doing June 28-29? Chances are, you might not be glued to the news. However, if you're invested in Canadian auto parts manufacturer **Magna International** (TSX:MG)(NYSE:MGA), you might want to be.

The end of the month marks the 14th G20 summit, this time to be hosted by Japan. During the summit, there's a high chance that the leaders of Canada's two largest trade partners will wag chins — and maybe even come to an agreement.

The possibility of a potential development in the U.S.-China trade war has big implications for the TSX index as a whole. After all, as Bloomberg Intelligence economists have calculated, as much as 17% of Canadian growth is exposed to the Sino-American situation. But new developments hold possibly the greatest implications for stocks with direct links to China.

An innovative income stock with global reach

One of these is, of course, Magna International, whose deal with the **Beijing Electric Vehicle Co.** to supply the Chinese market with the next generation of electric vehicles makes its stock particularly exposed to ongoing tensions. At the same time, it saw a sell-off earlier in the year when its Q1 results failed to completely bowl over investors.

Now, don't get me wrong, Magna International's stock isn't going to live or die depending on what happens between China and the U.S. (unless things get really ugly, of course). After all, this is a company whose operations extend beyond North America and Asia, with a spread of international interests adding solidity. Far from a passive weathervane in U.S.-Canadian relations, therefore, Magna International is a nicely diversified company with global reach.

However, if things do indeed go well between China and the U.S., you might expect to see a surge of investment in Canadian stocks with direct involvement with the Asian powerhouse. This means that a positive development in Sino-American relations could see Magna International’s share price rise later in the year, even if its Q2 results don’t pull the rabbit out of the bag.

Despite a consensus “hold” rating, paying out $1.46 for every share you own, I believe Magna International’s yield of 3.16% is significant enough to be worth a second look. Besides which, its low debt, affordable price, and commitment to shareholders (see 2018’s return of $2.3 billion in dividends and buybacks) make it a rare gem of a stock.

Back that up with some serious geographical diversification, and you have a stock with some unexpectedly defensive qualities. Magna International’s network of interests covers five continents, incorporating 28 countries, with a uniquely international presence able to supply pretty much any automaker you can think of. A defensive dividend investor can therefore gain indirect exposure to every one of them with one stock.

Boasting 338 manufacturing operations as well as nearly 100 product development, engineering, and sales facilities, Magna International stock can give you access to the intense auto growth expected in China, South America, Eastern Europe, and India.

The bottom line

Next time the market panics, investors should consider up buying Magna International at a slightly lower price. If another loss is posted in its next quarterly results, coming up in August, an opportunity may present itself if it hasn’t already by then.

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Date
2025/07/07
Date Created
2019/06/17
Author
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