



## Why Americans Are Bullish on Canada's Magna (TSX:MG) Stock

### Description

When one or more major moves occur in any given sector, adjacent stocks sometimes get a lift on the news. That seems to be happening in the U.S. auto parts sector at the moment, with a number of positive quarterly reports lifting the industry.

The news that **Daimler** and **BAIC Group** are expanding their partnership also drove the sector forward, and also has a bearing on a key Canadian favourite in the electric vehicle (EV) space.

### A key stock for instant exposure to the Asian EV market

Among the stocks that have seen a boost this week thanks to bullishness in the American auto sector is our very own **Magna International** ([TSX:MG](#))([NYSE:MGA](#)).

Along with peers such as **Adient**, **Tenneco**, **Delphi Technologies**, and **Goodyear Tire & Rubber**, Magna International saw a nice little pick-me-up as the U.S. took a u-turn on fears and started snapping up shares in practically anything with wheels.

Of particular interest to TSX investors is Magna International's expanding agreement with China's BAIC, however. The new framework will see Magna International taking a big step further than its joint venture initiated last year to build EVs for the market in China.

The deal is significant, as it marks Magna International's first complete vehicle plant to be situated outside Europe. The stock saw a boost of almost 5% over the past week thanks to the positive news.

### An accelerating dividend yield to drive up your passive income

Paying a sturdy and attractive dividend yield just shy of 3%, Magna International is [a solid play in the auto parts and EV space](#), as well as being good value for money with the current market ratios.

Having witnessed three-year returns of 30.46%, the stock is a low volatility play with a healthy balance

sheet and sturdy market fundamentals. In other words, Magna International is ripe for a TFSA or other long-range stock portfolio.

The record-setting deal with the Asian powerhouse has investors salivating. Magna Europe's president, Guenther Apfalter, summarized the ebullient mood by saying, "Magna has proven experience building complete vehicles for customers. We are excited to work with BAIC to further strengthen Magna's e-mobility capability in the largest global market for new energy vehicles."

It's the latest boost to market confidence for a company that has its eyes firmly set on autonomous driving — a sector that looks set to become one of the major growth areas of the automotive industry in the coming decade.

While its most recent earnings update has divided some investors, leading to a dip in the share price, the company [has the ability to reward amply in the long run](#).

## The bottom line

Magna International's global reach will not only continue to rake in the dollars, but also offers geographical diversification, straddling a number of key markets. Its dividend, paid quarterly, is substantial enough to be a buying point and is well covered by cash flows.

In short, it's a sturdy and rewarding play in a globally connected growth sector that would suit the average dividend portfolio or long-term savings trust.

### CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

### TICKERS GLOBAL

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

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