



## Why the Magna (TSX:MG) Stock Price Fell 5.8% in January

### Description

It is an important exercise to periodically review the performance of our stock holdings as well as those stocks that are on our watch lists. This review should happen at least once a year, but also when big stock price movements are noticed.

Magna International's ([TSX:MG](#))([NYSE:MGA](#)) stock price fell 5.8% in January, despite the fact that Magna announced a pretty solid three-year outlook. Let's take a look at the company's outlook and why I think the stock price fell in January.

### Magna stock price fell on negative sentiment for the sector

Despite what can be called a pretty positive outlook from the company, investors continued to take the stock down in January. A lot of this negative sentiment in January was driven by the [recent coronavirus scare](#), which has led to fears the global auto supply chain will be disrupted.

But sentiment toward Magna stock price was suffering even before this, with tariff uncertainties worrying investors and auto sales declining from their peak levels in 2017. Some analysts expect a soft year again for auto sales, as all of these issues remain, and as the consumer continues to face heavy debt levels. So, the general fear remains that the auto industry is still in for a rough ride.

### Magna stock price falls, despite the company's positive outlook

In January, Magna management released its three-year outlook. After a weak 2019, margins are expected to expand again in 2020, earnings growth is expected to return, and while revenue growth remains slow, the company is expected to generate healthy cash flows, most of which will be returned to shareholders. Magna has increased its dividend by more than 10% annually in each of the past 10 years, and has repurchased approximately 21% of its shares outstanding in the last three years (35% since 2010).

In order to prepare for long-term industry trends, Magna is investing in technology that will keep the

company relevant, as electrification penetrates the market. Magna must make sure it can provide solutions/parts for hybrid vehicles, electric vehicles, battery electric vehicles, and fuel cell electric vehicles.

Magna also has exposure to autonomous driving through different partnerships. We can see that there is a lot of investment that needs to be made for Magna to remain relevant in the years to come, as the auto industry is on the cusp of big changes.

## Foolish bottom line

Investing in Magna has its merits, as the company continues to [reward shareholders through dividend increases and share buybacks](#), but many uncertainties and risks remain with the auto industry, and this is what is driving Magna stock price performance.

In closing, I would like to remind Foolish investors of our belief in holding great businesses for the long term. While this belief remains intact, we are also aware that sometimes, short-term stock price movements create opportunities to create wealth. By blending this long-term focus with a keen eye for short-term stock mispricings, we can use both strategies in harmony, and our quest for financial freedom can be fulfilled.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

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

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

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