



## Revealed: 2 TSX Auto Stocks That Are Risky Buys Right Now!

### Description

**Martinrea International** ([TSX:MRE](#)) announced its results for the first quarter of 2020 and reported total revenues of \$872 million. Sales fell 13% in the March quarter. However, the second quarter might be an entirely different story.

Rob Wildeboer, executive chairman for Martinrea, said, "We have seen an unprecedented shutdown of our industry, and most of our customers in North America, Brazil and Europe are either not operating or are just restarting some of their plants."

Martinrea has said that it is difficult to estimate the impact that COVID-19 might have on the rest of the year. Further, May and June will only see a phased restart of the company's manufacturing facilities.

It's the same situation at **Linamar** ([TSX:LNR](#)). The company's sales in Q1 were \$1.55 billion, down \$424.7 million or 21% from \$1.97 billion in Q1 2019. But this is after the world (except China) saw business as usual for 75 out of 90 days in the quarter. While growth in China is slowly coming back, Europe and North America have been badly hit.

While Europe is contemplating introducing a lot of incentives to kickstart vehicle sales in June, nothing has been confirmed. Linda S. Hasenfratz, CEO of Linamar, said, "...May is going to be a very tough month as consumers hold off on purchases, waiting for incentives to be put in place. So we should be prepared for low vehicle retail sales in May, in my opinion, in Europe." This essentially means two out of three months in Q2 have practically been written off.

### Double whammy for auto stocks

The auto parts industry has been hit with a double whammy. One, manufacturers have suspended operations, and two, consumer demand for vehicles has plummeted. According to figures released by the Federal Reserve, output levels for auto and auto parts dropped drastically.

The [website says](#), "The index for durable manufacturing fell 19.3 percent; among its components, the largest decline was posted by motor vehicles and parts. The shutdowns of most motor vehicle

assembly plants led to light vehicle production at an annual rate of only 70,000 units, far below the assembly rate of 11.0 million units in February 2020.”

Another statistic that shows the level of decline is where the Federal Reserve estimates annual production based on the number of units produced seasonally. In January, the annual estimate was almost 11 million units. In February it went to 11.4 million units and March saw a drop to just over seven million units. But April was a shocker. If the numbers in April hold true, only 180,000 vehicles could roll out in 2020.

These are not good numbers at all, and while the 180,000 figure is an extreme scenario, it is safe to say that the annual figures will probably be between five million to seven million. Chances are there is not going to be a major uptick in stock prices.

While Martinrea stock is trading 44% below its 52-week high, this number of Linamar stands at 30% for Linamar. If you already have these stocks around these levels, hold on to them. There is the [possibility of upside](#) if market conditions change, but it is also just as likely to fall sharply if the news is bad.

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