1 Top Green Economy Stock for Electric Vehicle Bears

Description

The big news this week is that **Apple** is getting in on the electric vehicle (EV) boom. Dubbed the iCar, Apple's prospective 2024 entry into the high-growth space comes at a key moment for EV investors. Because another, more established electric car maker is going through its own rite of passage right now.

Tesla is generating mountains of press at the moment. Its S&P 500 addition has investors, analysts, and pundits frothing at the mouth. But for index investors and momentum stock traders alike, Tesla presents something of a conundrum. Is this still an auto stock? Is it overpriced? And even if it has higher to go, are its shares still worth buying?

Capital risk still haunts the stock markets

At the end of the day, there's only one reason why people buy shares: to make money. If investors think that Tesla could go higher, the kernel of a growth thesis is already right there. But valuation, the risk of downside, and the potential for a broad market selloff all remain worrying considerations.

Tesla is potentially too deep into overbought territory to be worth the risk of downside at this point. Yes, it's a highly visible name in an asset class undergoing a profound about-turn in both ethos and operations. But other EVs are being pumped by competitors as the whole space gears up to go carbon-neutral. So, is Tesla about to become cannabis?

Jim Cramer infamously called oil the new tobacco. It was an apt analogy. Likening one equity band to another can serve to highlight downside risk, as well as the risk of increasing volatility. Tesla could be facing both risks at the moment. And the cannabis analogy could prove to be prescient. Cannabis, after all, is a space defined by hype and an overcrowded playing field. EVs could be about to go the same way.

Looking beyond the hot stock trends

Alternatives to Tesla can be found in any momentum-rich area. However, it might make sense to stick with the green economy to retain the same access to growth potential. **Lithium Americas** is an option for its exposure to EVs. Other names to consider include renewables, such as **TransAlta**, **Northland Power**, and **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN).

Investors can also cream regular and reliable passive income from some of these stocks. AQN is a solid example of the clean energy dividend strategy. Far from a flimsy growth trend, green power has seen strong revenues of late. AQN itself has seen revenue growth of around 33% year on year. Its share price hasn't grown apace, though, up just 10% in that time. But this slow growth has at least helped to insulate a nearly 4% dividend yield.

While the capital gains angle may be a little lacklustre in 2020, total potential returns by mid-decade could be around 130%. Even if you don't include dividends, shareholders could expect an 80% return on investment by 2025. In summary, the green energy thesis supports more than one wealth-generation strategy. Investors should look beyond the hype and the headlines and single out quality investments at reasonable prices.

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