



Why Magna International (TSX:MG) Stock Is a Buy This Week

Description

Growth investing could be about to flip over into value investing if a significant correction reconfigures the stock market. But if and when the bubble bursts, what should portfolio holders do with this year's growth stocks? While it depends on the individual stock, upside could be on the way for investors in one red-hot industry.

Momentum investing in the auto-tech space

The electric vehicle trend switched up a gear in December with **Apple** announcing its entry into the space. It came at the same time that **Tesla** ([NASDAQ:TSLA](#)) joined the **S&P 500**. But with hype comes capital risk. Sudden momentum plus market uncertainty could push overvalued stocks into a correction. The markets have already witnessed what happens to tech stocks if investors catch whiff of overbuying and flip into panic mode.

With Tesla hitting record highs, investors may feel that the time has come to cash in some of their chips. This could turn into an avalanche of selling – something that has happened a number of times during the pandemic. Indeed, this isn't the first time that Tesla and Apple [shook up the markets](#) in synchronization.

It's arguable that two other growth trends in 2020 could prove to be somewhat more tenable asset types next year. A recovery could potentially reverse trends in the third and fourth quarters of 2021. For example, tech stocks buoyed by lockdowns don't make for perennial picks. On the other hand, gold and cannabis could continue to enjoy gains even after the pandemic dissipates and social distancing rules are relaxed.

An all-terrain growth stock space

But let's stick with the electric vehicle space for now. Looking a little deeper, in general this growth thesis contains indicators that its strongest names could withstand a selloff. There's the green economy angle, which could prove perennial. There's also the personal transport angle, which could

see auto makers leaning into the idea that certain aspects of social distancing should perhaps remain in place after the health crisis has abated.

But which names should investors look to if Tesla and Apple are too rich for their tastes? **Magna International** ([TSX:MG](#))([NYSE:MGA](#)) could now be in the process of emerging as an intriguing alternative to either Tesla or Apple. The name surged in popularity this week as a partnership between Magna and **LG** hit the headlines. The billion-dollar project will see the pairing churn out electric vehicle components.

Judging by the unwieldy moniker of LG Magna e-Powertrain, the venture has all the hallmarks of an historical partnership. The markets liked the news, sending Magna up 8.5%. Magna was already [a name destined for upside](#). But any EV growth thesis centred around Magna has been strengthened many times over by this development.

Investors might want to keep cash on hand and get ready to buy. If the market deteriorates, there will be value opportunities opening up across the board. Contrarians may take such an event as a chance to buy quality stocks on sale. And though some competitors have more media attention, Magna could have more long-term upside.

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1. auto-tech
2. electric vehicles

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