Tesla Stock (NASDAQ:TSLA): What Investors Can Learn From the Recent Pullback

Description

After a major rally in 2020, investors were likely surprised to see a substantial pullback in **Tesla, Inc.** (NASDAQ:TSLA) recently. Tesla stock peaked at the end of January, and fell 37% before climbing slightly in the last few days. It has many investors wondering what happened, and what to do about stocks like Tesla stock in the future.

Why the pullback?

Tesla stock investors, or those interested in the stock, will be happy to know the recent pullback was more due to market conditions rather than anything the company did. Electric Vehicle (EV) stocks climbed with the election of President Joe Biden. But then, EV and tech stocks experienced a pullback as the vaccine rollout promised a return to pre-pandemic norms.

On top of that, you have the rebound of the oil and gas sector due to this rollout. Production is ramping up, and oil prices are steadily climbing, pushing EV stocks lower as it became clear that EV use wasn't exactly imminent, though investment is on its way.

However, there are a few reasons investors shouldn't be so hasty to drop Tesla stock.

Stock performance

If you're looking at Tesla stock as a long-term investment, then you should be happy with performance. Sure, lately there's been a downturn. However, if you look at the long-term outlook it looks far more promising. In the last decade, shares in Tesla stock are up about 14,830% as of writing! That's a compound annual growth rate (CAGR) of 65%!

In the last year alone, shares are up a whopping 666% as of writing. That's more than enough to assure investors that a long-term hold could be great for this company. That's especially as EV use will only increase, and Tesla stock continues to be the innovator in the sea of EV companies.

EV is the future

Yes, it's true that oil and gas companies are rebounding. It's also true that oil and gas will continue to be the primary energy source for decades to come. Even as some companies create a 100% EV fleet of vehicles, there will still be oil and gas vehicles on the road for years afterwards.

But eventually those cars will be phased out, and EVs will be here to stay. When that happens, Tesla will remain a leader in this field. But you don't necessarily have to invest in Tesla stock if you're worried about the inflated share price. After all, a 31.6 P/B ratio and 20.6 P/S ratio are expensive to say the least.

Instead, why not look for companies that will be a necessity to Tesla stock and others? **Magna International Inc.** (TSX:MG)(NYSE:MGA) would be a great option in this case. The company created parts for automobiles, and recently partnered with **LG Electronics** to create in-car computers systems. These will be a necessity in the EV wave.

Magna stock has an incredible P/S ratio of 0.8 and P/B ratio of 2.3, making it the perfect value stock. Shares are still up 160% in the last year, and 490% in the last decade for a CAGR of 19.5% as of writing. That makes it the perfect investment for your portfolio if you want EV exposure, at a fraction of the cost and with far more value.

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