



Hedge Tesla Stock Price Volatility: 2 Canadian Stocks to Buy Today

Description

Are you long on **Tesla** ([NASDAQ:TSLA](#)) stock? It's a good decision. The electric vehicle (EV) maker has eye-popping fundamentals and growth potential. Tesla is more than just an EV maker. It has energy storage, a used car business, battery, and powertrain. And Tesla might give its shareholders priority in the stock allocation of Elon Musk's Starlink, which is expected to launch an initial public offering (IPO) in a few years. There are many perks of being a Tesla shareholder, but it comes with the risk of the Elon Musk bubble.

Tesla stock exposed to Elon Musk bubble

Tesla's revenue and adjusted EBITDA surged 75% and 94%, respectively, year over year in the [first quarter](#). And this is just the start. Tesla enjoys high demand, and it is expanding its supply and reducing its cost to meet the demand. But its stock is equally overvalued, as the market is bullish on Tesla. Tesla CEO Elon Musk has an influence on netizens. The biggest example of the kind of impact Musk tweets have is visible on the Bitcoin and Dogecoin price graphs.

Tesla stock surged 126% between November 2020 and January 2021 on the back of the EV wave. The EV wave came as newly elected U.S. president Joe Biden pledged to reduce carbon emission through EVs and wind power generation.

Tesla stock surged past \$850 in January, but then came the Elon Musk bubble. Musk took to **Twitter** and started the whole Dogecoin mania that hurt Tesla stock. The stock dipped more than 23% between February and June. It is now recovering on the hopes of Starlink IPO, a high-speed space-based internet service.

Two stocks to hedge against Tesla stock's volatility

I would suggest you buy Tesla stock at the current levels to enjoy the many perks it offers. As for the Musk bubble, you can hedge that risk with these two Canadian stocks.

Magna International ([TSX:MG](#))([NYSE:MGA](#)) is another [major player](#) riding the EV wave at multiple fronts. Unlike Tesla, whose revenue is focused only on two EV models, Magna provides third-party

automotive manufacturing services to 23 of the top 25 EV makers. Magna also offers automotive components to a large number of automakers. And it is not exposed to the Musk bubble.

Both Magna and Tesla are driving on the EV road, but the former's stock is less volatile than the latter. Magna stock surged 84% since Joe Biden's presidential win in November 2020. As the EV momentum eased, the stock corrected 12%, creating a buying opportunity.

Diversify the risk

Another effective way to hedge volatility is to diversify, and the most efficient way to diversify is through [an ETF](#). **iShares NASDAQ 100 Index ETF (CAD-Hedged)** ([TSX:XQQ](#)) has **Alphabet**, Tesla, and **Nvidia** among its top holdings. All these companies are leading the autonomous vehicle space. The ETF will give you exposure to some of the world's best tech companies that are changing the future. And Starlink will also most likely launch its IPO on NASDAQ.

XQQ ETF has surged 28% since November 2020 and continues to rise gradually.

Bottom line

To all Tesla shareholders, remember volatility doesn't prevent great long-term returns. But if it still concerns you, there are less-volatile stocks to balance the risk.

CATEGORY

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2. NYSE:MGA (Magna International Inc.)
3. TSX:MG (Magna International Inc.)
4. TSX:XQQ (iShares NASDAQ 100 Index ETF (CAD-Hedged))

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