1 of the Best Canadian Stocks to Buy Today

Description

Motley Fool investors come to our site looking for deals. So, it might surprise you to hear that I would still consider **Magna International** (TSX:MG)(NYSE:MGA) a deal. That's after hearing the company recently cut its revenue forecast. Yet I would still consider Magna stock to be one of the best Canadian stocks to buy today. And that's with the recent cut as well.

What happened?

Magna stock recently cut its expected revenue due to the global shortage of semiconductor chips. This shortage would likely mean a reduction in light vehicle production around the world.

The chip shortage is more than anyone could have anticipated for 2021, and it's unclear when it can be remedied. Therefore, Magna stock announced a reduction of anticipated production from 15.6 million light vehicles this year down to 14.4 million — a 7.7% decrease. Yet I'd still argue it's one of the best Canadian stocks to buy.

So what?

This is a huge problem for Magna. The company made a joint venture with **LG Electronics** to allow for it to add more electronic components to its production line. Sales already dropped for the recently announced quarter in both North America and Europe. Sales came to US$9.03 billion, which was still more than double what the company made the year before. So, clearly, it's still a strong company, and one of the top Canadian stocks to buy when it comes to growth.

Though it's true a lot of this growth came because 2020 saw a reduction in production due to COVID-19, it means the company can roll with these punches. But it's still important that Magna stock remains realistic about its immediate future for investors. Management stated commodity costs and wage pressures will also put pressure on its margins moving forward.

What now?

This grim news led to some analysts lowering target prices for Magna stock. Though many still give it a buy rate, even others an "outperform," they merely dropped the share price. But it wasn't nothing. Whereas the company was predicted to have a future share price around the $145 range, that was lowered to around $132.

But here's why it's still one of the best Canadian stocks to buy. Shares are up 64% in the last year and still trade at around $105 as of writing. That means there's a potential average upside of around 20%! Meanwhile, a chip shortage is a short-term issue for a long-term investment. And you can still take advantage of the stock by bringing in a 1.98% dividend yield.

The company is now undervalued with a 11.64 P/E ratio. So, while recent news may have some Motley Fool investors hitting the pause button, long-term investors should take another look. Right now is a perfect opportunity to buy Magna stock as one of the best Canadian stocks on the TSX today. When the shortage is over and the company rebounds even more, Magna is due for a massive shift. The future is in electric cars, and Magna stock has geared itself to shift into that future. Chip shortage or no, Magna stock remains a top investment for long-term focused investors.

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