



## Is Tesla Stock a Buy Today While It's Down 44% This Year?

### Description

Tesla's ([NASDAQ:TSLA](#)) stock dipped 44% this year and is heading toward a new 52-week low. It's a stock to buy the dip, but is today a good time to buy? Tesla founder Elon Musk is all over the media for a lawsuit with **Twitter** ([NYSE:TWTR](#)). While Tesla is in the business of electric vehicles (EVs), which has its own headwinds, the Twitter trial is influencing Tesla's share price in October. Why so?

### A tweet that cost US\$44 billion

To give you a little backstory about the on-and-off deal between Tesla and Twitter, Elon Musk approached Twitter in April with an offer it couldn't refuse. The world's richest man offered to take the social media company private at \$54.20 per share, a 38% premium when tech stocks were bleeding their pandemic riches.

But things got ugly in May as Musk got cold feet and backed out from the US\$44 billion deal accusing Twitter of lying about the number of spam accounts in its filings. This significantly impacted Twitter as the stock fell 28% in May after rising 33% in April. Twitter CEO Parag Agrawal filed a lawsuit to force Musk to make good on his initial offer.

Now comes the twist. Faced with deposition and trial, Musk informed Twitter and the court that he is willing to complete the Twitter deal at the agreed-upon price. But he needs time to accumulate the funds. The judge gave Musk until October 28 to complete the deal and delayed the trial from October 17 to November.

You might wonder how this deal could impact Tesla shares.

### Eight days of October crucial for Tesla shareholders

Musk's wealth is in his Tesla shares. He asked for more time as he cannot sell his shares before October 19, when Tesla reports its third-quarter earnings. And he can't back out from the deal this time because it would immediately be followed by a lawsuit.

So, Musk has eight days (October 19 -28) to pay Twitter US\$44 billion. With Tesla shares near their 52-week low, you can expect a lot of offloading by Musk after the earnings. Moreover, preliminary data suggests that Tesla's earnings might not be pleasing to shareholders as its third-quarter vehicle [deliveries](#) (343,000) fell short of analysts' expectations (364,660).

These eight days could see a lot of selling activity in Tesla shares. Instead of buying the stock today, wait till the end of the month to get a better deal.

## Is Tesla a value stock?

While the Twitter deal influences Tesla's share price in October, its share price has been down for other reasons. Tesla is not the only automaker struggling with deliveries. **Ford Motors** also fell short of deliveries due to a semiconductor supply shortage. However, Tesla's deliveries were 35% above the previous year's third-quarter number of 254,695. This means Tesla will report a double-digit revenue and earnings growth, but it will likely still be below or in line with analyst expectations.

The automotive industry is tackling high commodity prices, inflation, chip supply shortages, and production weakness in China and Germany. However, these headwinds will subside with time as chip supply improves and the government takes policy measures to control inflation.

The catalyst for Tesla is the Inflation Reduction Act which extends the US\$7,500 tax credit for buying a new EV to 2032. This credit will be applicable to passenger vehicles sourced and assembled in North America. These requirements make most vehicles ineligible for the incentive. But the majority of Tesla cars are eligible for the tax credit, because they're manufactured in the United States.

Musk had warned that [lithium](#), a key component for EV batteries, should be mined in the United States. In 2020, Tesla [secured](#) lithium mining rights in Nevada to find a sustainable way to extract lithium domestically. While Musk might create trouble, he is a visionary who plans for the winter ahead of the market.

## Add Tesla to your TFSA portfolio

While Tesla doesn't trade on the **TSX**, you can [buy this U.S. stock](#) through your Tax-Free Savings Account (TFSA) and grow your money in an economic recovery.

### CATEGORY

1. Investing
2. Stocks for Beginners
3. Tech Stocks

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1. NASDAQ:TSLA (Tesla Inc.)
2. NYSE:F (Ford Motor Company)
3. NYSE:TWTR (Twitter)

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