

Donald Trump victory takes car stocks on a ride

By Susan Tompor (excerpt)
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Much of the buzz relating to President-elect Donald Trump and auto stocks circles around tweets and tirades on trade. But the so-called Trump effect actually had a pretty good run there for auto stocks.

Since Election Day on Nov. 8, many auto-related stocks have been running faster than the gains for the Dow Jones Industrial Average.

The Dow was up roughly 8.5% from Nov. 8. through Thursday's close of 19,891 points.

By contrast, General Motors stock was up roughly 18.2% during that same two-month time frame through Thursday, adjusting for dividends. Ford was up 9.7% during that time and Fiat Chrysler Automobiles was up 40.3% during that same time.

Right after Trump was elected, stocks of auto suppliers and some automakers didn't have such a smooth ride. Many automotive stocks tumbled out of bed the morning of Nov. 9 on what some said was fear and uncertainty of what a Trump victory would mean for autos, if an anti-trade rhetoric became a reality. ...

...the autos story is fascinating as the 2017 North American International Auto Show takes place in Detroit. The same time a year ago, of course, the saga for auto stocks was dismal. The Dow wasn't doing well and auto stocks were doing even worse.

Wall Street then had clutched onto the notion that auto sales couldn't be much better in 2016 than the year earlier. Most economists weren't forecasting a recession in the U.S. for 2016. But there frankly was no love for auto stocks.

This year, analysts say auto stocks are benefiting from a sentiment that Trump, who will be inaugurated Friday will be good for the U.S. economy.

On Thursday, GM stock closed at \$37.51 a share; Ford closed at \$12.59 a share, and Fiat Chrysler Automobiles closed at \$9.95 a share.

Of course, not all the talk relating to Trump and cars is positive. Trade risks are huge. ...

...David Kudla, CEO for Mainstay Capital Management based in Grand Blanc, said auto stocks are sensitive to economic forecasts and cyclical in nature.

"Most people are viewing that Trump is good for the economy," Kudla said. "Certainly, there is a risk that the protectionist Trump could be bad for the global economy."

But Kudla said he's betting that many deals will get done during the Trump presidency, including some favorable changes for regulation and corporate taxes.

Kudla said in general he would be neutral on auto stocks, though, given the forecasts for auto sales.

U.S. sales of cars and light trucks hit 17.55 million in 2016 — breaking the record of 17.48 million vehicles set in 2015.

"We are at the peak at the auto cycle," Kudla said. ...

...Likely headwinds for the industry in 2017 include expectations that the Federal Reserve will raise short-term interest rates three times this year.

GM's chief economist Mustafa Mohatarem said last week that the global automotive industry should have a good year in 2017 as industry sales increase in Europe and China and will remain strong in North America.

Even if U.S. industry sales take an unlikely turn and dip below 16.5 million, he said, that level that would still be robust for the industry, allowing most automakers to make a profit. He spoke at an event hosted by the Society of Automotive Analysts in Detroit before the Detroit auto show. ...