

## Auto Stocks not getting much love

By Susan Tompor (excerpt)  
August 6, 2017

As Wall Street soars to break one record after another, Detroit's auto stocks remain stuck alongside the road. ...

...The Standard & Poor's 500 was up about 10.6% for the year through Friday when the S&P 500 closed at 2,476.83. The Dow Jones Industrial Average closed at another record — 22,092.81 points.

But Ford Motor was down 5.8% for the year, adjusting for dividends during that time. Ford closed at \$10.95 a share on Friday, up 2 cents or 0.18%.

Meanwhile, General Motors was up 3.4% for the year through Friday. GM closed at \$35.27 a share, up 50 cents or 1.44% on Friday.

Italian-controlled Fiat Chrysler Automobiles has been outperforming the market, up 32% for the year through Friday. Fiat Chrysler closed at \$12.07 a share, up 13 cents or 1.09% on Friday.

And yes, there's Tesla, which is a different story altogether. Stock for the electric automaker was up a shocking 67% for the year through Friday. Tesla closed at \$356.91 a share on Friday, up \$9.82 a share or 2.83%.

"The first thing the talking heads on TV — and I always qualify that with I'm one of the talking heads — but the first thing they go to is 'We're past peak autos. So you don't want to be in auto stocks,'" said David Kudla, who has been seen on CNBC.

Kudla, CEO for Mainstay Capital Management based in Grand Blanc, said Tesla is getting a pass when it comes to concerns that U.S. auto sales will taper from last year when a record 17.55 million cars and light trucks were sold.

Tesla is viewed as a growth story, even though Tesla has not made money and reported a net loss of \$401.4 million for the second quarter. What's fueling Tesla stock is the potential for the Model 3 and the extremely aggressive ramp-up in the months ahead for the mass-market, long-range electric car, he said.

"Tesla is the iPod or the iPhone of the automotive industry," Kudla said. "It's a cult-like following. It's

Elon Musk. He's the real world Stark, you know, the 'Iron Man' movies." ...

...As for traditional automakers, investors are wondering how far sales will fall off this year and next. U.S. auto sales fell again in July, the seventh month of declines in a row. Some analysts are forecasting U.S. sales around 17 million cars and light trucks in 2017....

..."We're seeing third shifts going away. We're seeing (temporary) plant closures being extended. We're seeing layoffs. We're seeing things we haven't seen in the last seven years," Kudla said.

To be sure, GM and Ford have stronger balance sheets than years ago. GM reported a net income of \$1.66 billion in the second quarter. Ford reported a net income of \$2 billion in the second quarter.

Truck sales and SUV sales — which have high profit margins — are likely to remain strong, as gas prices are low, Kudla said. He'd expect GM and Ford to do well even if U.S. annual sales end up at some point in the 16.5 million range or slightly lower.

"Ford and GM are going to make a lot of money at that volume," Kudla said.

But Ford and GM remain "under-loved and under-owned," he said, because investors are wary of the next downturn.

"Just because of investor sentiment, you've got to be careful here," Kudla said. ...

...But for much of 2017, growth stocks have been leading the way. Investors have favored technology and health care, among other sectors.

Kudla said tech companies and other growth stocks are viewed as investments that could continue to post gains regardless of any tax cuts or how well the U.S. economy does.