Daily Macro Insights: Clash of the auto titans

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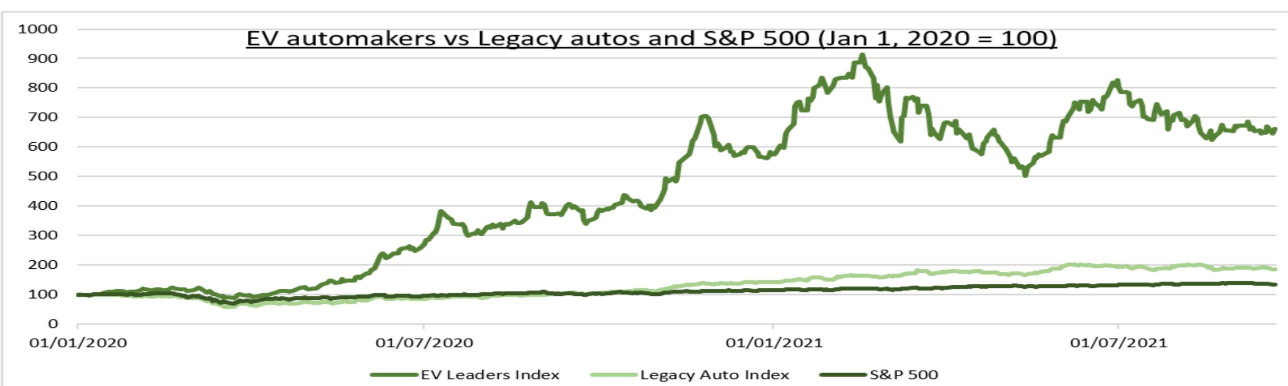
THE FUTURE: Global electric vehicle (EV) sales crossed 10 million units last year, up 43% on prior year, but still only 1% of the world-wide fleet. With governments tightening emissions standards and providing subsidies, whilst companies accelerate EV launches (from current 370 models), specifications (average 350km range), and charging infrastructure, the roadmap is clear. Europe is now the growth leader, adding five times the EV's as the US last year. Near term global targets are for 30% annual EV unit growth to take over 10% of the vehicle fleet by 2030.

EV VS LEGACY: Our EV leaders index (Tesla, NIO, XPeng, Li Auto, Lucid, Fisker, Nikola, NIU) has left Legacy autos (Toyota, Volkswagen, BYD, Daimler, GM, Stellantis, Ford, Honda) in the dust since 2020 (see chart). But this year saw a Legacy comeback, besting S&P 500 and EVs, with demand rebound, accelerating EV focus, and huge valuation discounts. Volkswagen (VOW3.DE) is on 6x P/E with a 13% free-cash-flow yield after funding $22 billion investment as it targets 20% EV sales by 2025. Tesla (TSLA) is at 114x P/E, with a 1% free-cash-flow yield after funding $5.5 billion spending. But its market cap is near the same as *all* our Legacy index.

INVESTMENT: Legacy autos seem an attractive combo of cyclical recovery with 'free' option on valuation upside as their EV transition accelerates. We also see partnerships, as EV Leaders look to match their technology with Legacy autos' production scale and distribution. Those with the most aggressive EV targets include Volvo (VOLV-A.ST), Ford (F), and Daimler (DAI.DE). The Smart Portfolio @Driverless has 30 global stocks exposed to EV and autonomous growth.

TODAY: After the dovish tapering delay by the Fed, attention now switches to the growth pulse of global PMI data, with a welcome recovery seen after the August services-led Covid weakness.



Source: Refinitiv, eToro estimates

Ben Laidler, Global Markets Strategist. Email: benla@etoro.com