

GM stock falls, but was a 'sell' signal justified?

By Susan Tompor (excerpt)

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General Motors stock took a rough turn on Monday morning after Goldman Sachs analysts downgraded the stock to a sell.

Shortly before 10:30 a.m., GM was down \$1.23 a share or 2.76% to trade around \$43.41 a share early Monday.

The Goldman Sachs forecast put a \$32 longer-term price target on GM stock — indicating the possibility for a more than 25% drop...

...Ford stock was down somewhat on Monday, but not as significantly as GM stock. Ford was trading around \$11.99 a share before 10:30 a.m., down 7 cents a share or 0.58%.

But Ford stock had not had as much of a run up this year, compared with GM. Ford was up about nearly 5% on an adjusted basis as of Friday, compared with the Dec. 30 close of \$11.49 a share.

By contrast, GM stock had been up 32% by Friday from Dec. 30's close of \$33.76 a share.

"GM stock has had a nice run over the past several weeks," said David Kudla, CEO for Mainstay Capital Management based in Grand Blanc.

As a result, he said, short-term profits could be taken at these levels.

But Kudla strongly disagrees with the \$32 a share longer-term target for GM stock and the overall thesis outlined in the Goldman Sachs report.

"GM is rapidly cutting costs and markets which aren't profitable, i.e., the sale of Opel and Vauxhall," Kudla said.

He noted that GM will focus its efforts on truck sales, sport-utility vehicles and electronic vehicles. Trucks and SUVs are sold at a higher profit margin than many passenger cars.

"This strategy will ultimately produce an expanding profit margin over the smaller cars they are producing now," Kudla. "The story of GM is expanding profit

margins and growth of the EV market and flexible mobility.

"We are past peak auto in the United States, but GM is proving it can deliver strong earnings at lower than peak volumes."

Kudla said GM has articulated one of the most comprehensive strategies in terms of flexible mobility and electronic vehicles.

"And, GM is already putting the pieces of that strategy into place. They are quarters or even years ahead of many other automakers in this area," Kudla said.

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