What's Hot: Tesla's electrifying rally and what it means for investors

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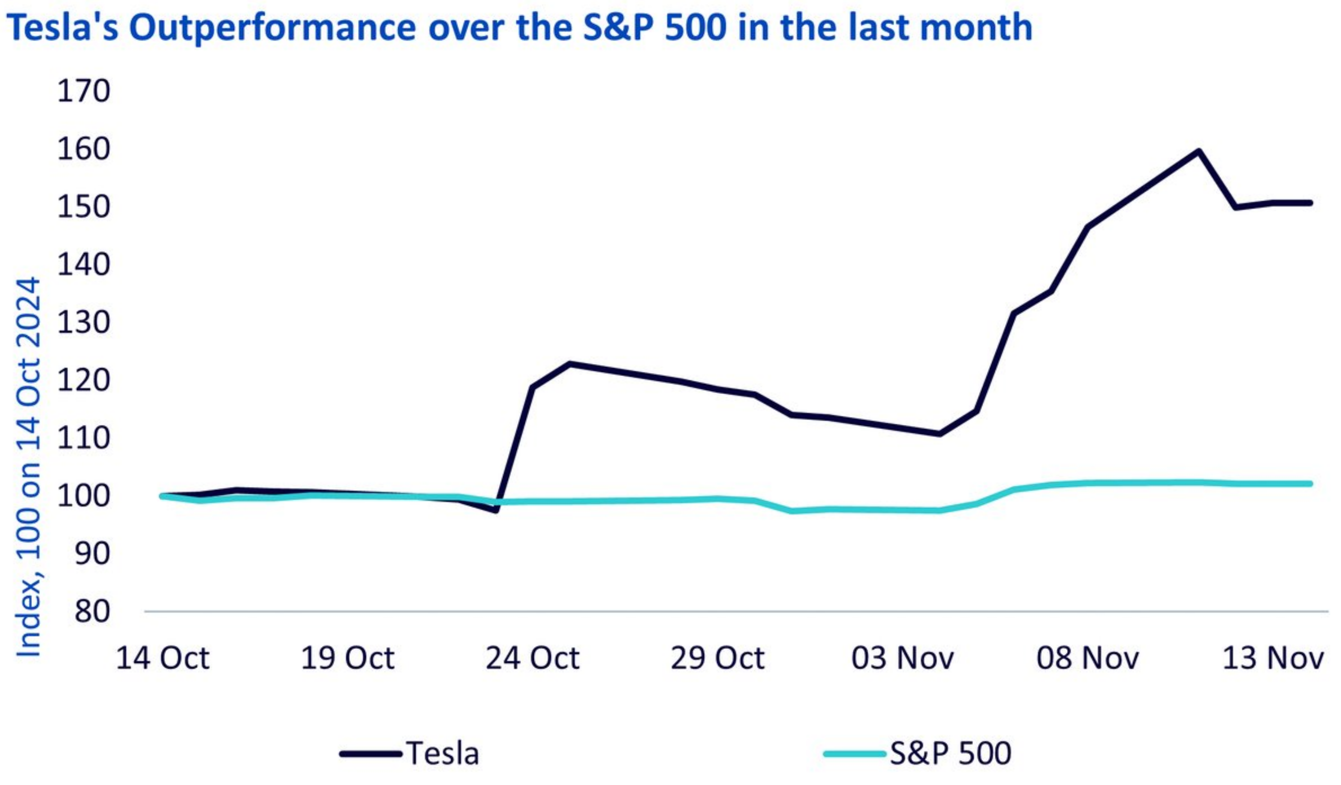
Die wichtigsten Erkenntnisse

- Tesla's share price surge is driven by earnings, political developments, and EV adoption.
- Record EV sales and competition from Chinese automakers like BYD reshape the industry.
- Looser regulations under Trump could boost Tesla's autonomous and AI ambitions.

Tesla's share price is in the fast lane. Is the excitement justified and what lies ahead for the company and the broader automotive sector?

Over the past month, Tesla has been the standout performer in the S&P 500, outpacing the index by a wide margin. The chart below highlights Tesla's recent outperformance, fuelled by the "three Es" — earnings, elections, and of course, electrification.



Source: WisdomTree, Bloomberg, from 14 Oct 2024 to 13 November 2024. Historical performance is not an indication of future results and any investments may go down in value.

Earnings matter

Tesla's third-quarter earnings exceeded analyst expectations1, with adjusted earnings per share reaching $0.72, above the projected $0.58, though revenue slightly missed forecasts at $25.18 billion. This marked an 8% increase from the previous year's $23.35 billion. Net income also rose to $2.17 billion, driven by strong performance across multiple sectors. Tesla's automotive revenue grew modestly by 2% to $20 billion, while energy generation and storage revenue saw a significant 52% surge to $2.38 billion. Revenue from services, including non-warranty repairs, jumped 29%, reaching $2.79 billion.

CEO Elon Musk forecasted 20-30% growth in vehicle deliveries next year, supported by autonomous features in lower-cost models. Tesla's production included 35,000 autonomy-ready vehicles weekly, though they still require a driver. Musk highlighted future goals, such as a driverless ride-hailing service by 2025 in Texas and California. Despite facing quality issues, the Cybertruck became the US's third best-selling EV, with 16,000 units sold, achieving a positive gross margin. Amid heightened competition from Chinese automakers and US giants, Tesla remains committed to innovation, though recent political affiliations have stirred mixed reactions among investors.

Elections matter even more

Elon Musk's appointment as co-head of the Department of Government Efficiency (DOGE) in Donald Trump's new cabinet has sparked investor optimism about Tesla's future. Musk, who backed Trump in the presidential race and contributed over $119 million to the campaign, will partner with biotech entrepreneur Vivek Ramaswamy to lead the initiative aimed at reducing bureaucracy and cutting government spending. The move aligns with Musk's longstanding advocacy for streamlined governance and his critique of "government waste." Investors view this appointment as a potential boon for Tesla, anticipating favourable regulatory changes and increased support for autonomous and electric vehicle initiatives, which could further boost the company's growth and profitability.

Electrification matters most

Ultimately, Tesla's future is inevitably linked to the broader adoption of electric vehicles (EVs) and autonomous driving. Despite some recent negative press, EV sales continue to set new records. According to Inside EVs, global sales of all-electric (EV) and plug-in hybrid (PHEV) cars reached 1.7 million units in September, marking a 30.5% year-over-year increase and 150,000 more units than the previous record set in December 2023. In the first nine months of 2024, EV and PHEV sales reached 11.5 million worldwide, up 22% from the same period last year2.

Some of the criticism surrounding EVs is understandable, as adoption rates fluctuate across regions. China remains the largest market, leading in both year-to-date sales and year-over-year growth. This is significant for two reasons. First, Chinese automakers like BYD are becoming formidable competitors for established players, with brands like Volkswagen already feeling the impact. Second, China is Tesla's second-largest market, just behind the U.S. and well ahead of Europe. If additional tariffs are imposed by the Trump administration on Chinese EVs, the broader implications for automakers will need to be considered.

What it means for investors

Looser regulations under Trump are viewed as favourable for emerging technologies like autonomous driving. Wedbush Securities analyst Dan Ives, a long-time Tesla bull, recently raised his price target for Tesla from $300 to $400, noting that “a Trump White House win will be a game-changer for the autonomous and AI story for Tesla and Musk in the coming years.” Meanwhile, BYD’s rise, particularly in the mass-market EV segment, is generating much-needed excitement across the automotive industry. BYD, which focuses solely on pure-electric and plug-in hybrid vehicles, is on track to sell 4 million units in 2024—a significant leap given that global EV sales across all brands were below 4 million in 20203.

For automotive investors, there is plenty to be excited about.

What WisdomTree offers investors

WisdomTree Global Automotive Innovators UCITS ETF (WCAR) offers investors a way to capture the growing excitement in the automotive industry. The ETF has been built by WisdomTree in partnership with automotive experts Berylls, who evaluate the focus of all companies in the automotive industry on innovation, growth, and sustainability, and LeanVal, who evaluate the fundamentals of each business. Companies are evaluated and selected based on their alignment with automotive trends like connectivity, autonomous driving, shared mobility, and electrification. As competition heats up, technology advances, and markets become increasingly excited about the sector, this ETF gives investors a forward-looking, well-diversified exposure across the most important companies in the automotive value chain. As of 13 November, Tesla is the top holding in the ETF while BYD features in the top 10.

1 CNBC, October 2024
2 Inside EVs, October 2024.
3 International Energy Agency Electric Vehicle Outlook, 2024.

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