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

Veröffentlicht am 15. November 2024

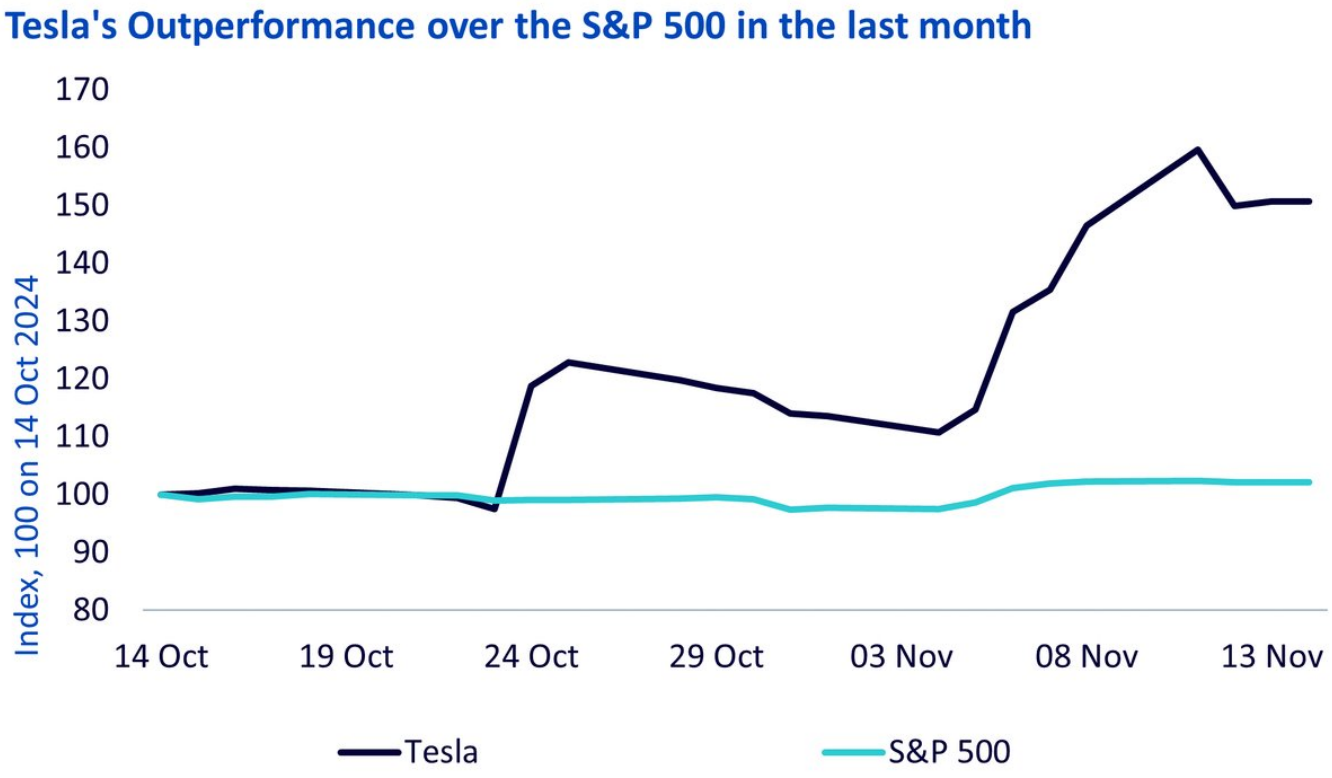
Mobeen Tahir
Director, Macroeconomics and Thematic Research

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.

Important Risks Related to this Article

IMPORTANT INFORMATION

Marketing communications issued in the European Economic Area ("EEA"): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

Marketing communications issued in jurisdictions outside of the EEA: This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as "WisdomTree" (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

This marketing communication has been prepared for professional investors, but the WisdomTree products set out in this document may be available in some jurisdictions to any investors, subject to applicable laws and regulations. As the product may not be authorised or its offering may be restricted in your jurisdiction, it is the responsibility of every person or entity to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction. Prior to any application investors are advised to take all necessary legal, regulatory, tax and investment advice on the suitability and consequences of an investment in the products. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and affer seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment.

An investment in exchange-traded products ("ETPs") is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for

distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes.

This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements.

WisdomTree Issuer ICAV

The products discussed in this document are issued by WisdomTree Issuer ICAV (“WT Issuer”). WT Issuer is an umbrella investment company with variable capital having segregated liability between its funds organised under the laws of Ireland as an Irish Collective Asset-management Vehicle and authorised by the Central Bank of Ireland (“CBI”). WT Issuer is organised as an Undertaking for Collective Investment in Transferable Securities (“UCITS”) under the laws of Ireland and shall issue a separate class of shares ("Shares”) representing each fund.

The Fund is described in a Key Information Document (KID) or Key Investor Information Document (KIID) for UK investors, and the prospectus of WT Issuer (“WT Prospectus”). A copy of the WT Prospectus and the KID / KIID is available, for EEA/UK only, in English at www.wisdomtree.eu. Where required under national rules, the KID will also be available in the local language of the relevant EEA Member State. Investors should read the WT Prospectus before investing and should refer to the section of the WT Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in the Shares.

The summary of investor rights associated with an investment in the fund is available in English on WisdomTree Europe's website. WisdomTree Management Limited may decide to terminate the arrangements made for the marketing of its collective investment undertakings. In such circumstances, shareholders in the affected EEA Member State will be notified of this decision and will be provided with the opportunity to

redeem their shareholding in the fund free of any charges or deductions for at least 30 working days from the date of such notification.

Notice to Investors in Switzerland – Qualified Investors

This document constitutes an advertisement of the financial product(s) mentioned herein.

The prospectus and the key investor information documents (KIID) are available from WisdomTree's website: **https:** //www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports

Some of the sub-funds referred to in this document may not have not been registered with the Swiss Financial Market Supervisory Authority ("FINMA"). In Switzerland, such sub-funds that have not been registered with FINMA shall be distributed exclusively to qualified investors, as defined in the Swiss Federal Act on Collective Investment Schemes or its implementing ordinance (each, as amended from time to time). The representative and paying agent of the sub-funds in Switzerland is Société Générale Paris, Zurich Branch, Talacker 50, PO Box 5070, 8021 Zurich, Switzerland. The prospectus, the key investor information documents (KIID), the articles of association and the annual and semi-annual reports of the sub-funds are available free of charge from the representative and paying agent. As regards distribution in Switzerland, the place of jurisdiction and performance is at the registered seat of the representative and paying agent.

For Investors in France:

The information in this document is intended exclusively for professional investors (as defined under the MiFID) investing for their own account and this material may not in any way be distributed to the public. The distribution of the Prospectus and the offering, sale and delivery of Shares in other jurisdictions may be restricted by law. WT Issuer is a UCITS governed by Irish legislation, and approved by the Financial Regulatory as UCITS compliant with European regulations although may not have to comply with the same rules as those applicable to a similar product approved in France. The Fund has been registered for marketing in France by the Financial Markets Authority (Autorité des Marchés Financiers) and may be distributed to investors in France. Copies of all documents (i.e. the Prospectus, the Key Investor Information Document, any supplements or addenda thereto, the latest annual reports and the memorandum of incorporation and articles of association) are available in France, free of charge at the French centralizing agent, Societe Generale at 29, Boulevard Haussmann, 75009, Paris, France. Any subscription for Shares of the Fund will be made on the basis of the terms of the prospectus and any supplements or addenda thereto.

For Investors in Malta: This document does not constitute or form part of any offer or invitation to the public to subscribe for or purchase shares in the Fund and shall not be construed as such and no person other than the person to whom this document has been addressed or delivered shall be eligible to subscribe for or purchase shares in the Fund. Shares in the

Fund will not in any event be marketed to the public in Malta without the prior authorisation of the Maltese Financial Services Authority.

For Investors in Monaco: This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.