GM and Ford Stock Continue to Underperform

Times have been tough lately for US automakers not named Tesla. Mark Fields resigned as Ford's CEO after the company's share price declined from $17 to $11 during his tenure. For General Motors things haven't been much better. With just an 8% gain in the last year and a decline of 6.5% YTD, the stock has been a big underperformer versus the broader market of late.

GM is the latest car maker to stand accused of cheating on emissions tests. GM stock fell 1.8% yesterday on about 2.5 times the average daily volume.

In a lawsuit filed yesterday in Michigan, consumers allege that GM manufactured 700,000 trucks with illegal devices that disguised actual emissions levels. GM denied the allegations, issuing a statement that said: "These claims are baseless and we will vigorously defend ourselves. The Duramax Diesel Chevrolet Silverado and GMC Sierra comply with all US EPA and (California) emissions regulations."

GM stock is down more than 6% this year. Shares are rolling over as bearish traders sell GM following weak April sales data, which appears to confirm the ominous narrative of peak auto sales having begun.

Including GM's generous dividend yield of 4.5%, GM is up about 8% from when it was purchased at the end of October. Following the automotive seasonal strategy, GM should be sold on June 30th.

It was big news that Ford replaced its CEO with the head of its new mobility division. The company's chairman, Bill Ford Jr., made a point of saying the carmaker is pivoting from conventional production to new kinds of vehicles and new advanced manufacturing processes. Is Ford finally getting serious about becoming a 21st carmaker?

The recent CEO shuffle at Ford suggests it's getting serious about self-driving cars, but statistics show that Ford -- and every other car maker -- is way behind Waymo, the self-driving car unit of Google parent Alphabet, when it comes to testing autonomous cars on real roads.

The other car makers are similarly behind. Here's a snapshot of the data from the documents:

- **Waymo: 635,867 miles driven, 5,127 miles/disengagement**
- GM/Cruise: 9,668 miles driven, 34 miles/disengagement
- Nissan: 4,099 miles driven, 28 miles/disengagement
- Bosch: 983 miles driven, 0.6 miles/disengagement
- Mercedes: 673 miles driven, 2 miles/disengagement
- BMW: 638 miles driven, 638 miles/disengagement
- **Ford: 590 miles driven, 196 miles/disengagement**
- Tesla: 550 miles driven, 3 miles/disengagement

Last week alternative cab service Lyft -- which has its own self-driving car fleet – said it would work with Waymo on autonomous driving. That deal will surely benefit Waymo, as it will help Waymo's self-driving technology reach more people, in more places. General Motors invested $500 million in Lyft earlier in the year.

Given that Ford is so far back in Waymo's rear-view mirror, Ford might well move to sign similar deals with partners in an effort to gain more autonomous driving experience. It could also push many more cars onto public roads.

The company has given itself some time to improve. Last year Ford said it aimed to have an autonomous vehicle available for ride-sharing by 2021.

Following the Seasonal Automotive pattern for Ford, the stock was purchased at the end of October when it was trading at $11.79. The stock never hit its sell price and should have been sold on May 15th. Ford stock closed at $10.94 on that date (subscribers who missed that trade should sell now -- the stock is about 0.5% higher than it was on May 15th). Adding three very generous dividend payments of $0.15, $0.20 and $0.15 per share over the period the stock was held, Ford finished the seasonal pattern down 3.2%. EIS will revaluate buying the stocks later in the year.

Historically, Wall Street doesn't give automakers much credit for making billions during boom times and fails to see promise in their long-term plans. The old model of moving a large number of vehicles with high incentives, one at which GM and Ford excel, is becoming an outdated metric.

With Tesla's market valuation recently speeding past both Ford and GM, investors are clearly interested in bold changes in the industry. EIS will let this potential product shift work its way through industry and will once a again evaluate and consider these stocks in the fall.