



3 TSX Stocks That Were Under Pressure In Today's Market

Description

The S&P/TSX Composite Index (TSX:^OSPTX) opened this first full week of February by declining 0.4%. European concerns seem to have caused this skittishness as Spanish and Italian bond yields moved higher. These three Canadian stocks had particularly bad days....

Centerra Gold ([TSX:CG](#))

Centerra, down 5.1%, operates the Kumtor mine in Kyrgyzstan. This mine represented 12% of the Kyrgyz GDP in 2011. Given its significance, political interference has been a theme with this asset for years. The company thought it had put the political noise to bed back in 2009. However, on January 24th the country's Prime Minister publicly endorsed a recommendation to institute a new tax regime on Kumtor and increase environmental charges. Centerra's stock has fallen from more than \$20 in early 2012 to its current level in the \$8 range so there is a good chance that increased expenses have already been fully reflected. What is not yet being fully priced in is the risk that the government someday nationalizes Kumtor. Such a move would be a significant blow for Centerra shareholders.

Martinrea ([TSX:MRE](#))

Martinrea is a Canadian auto parts manufacturer and even though its stock was down 4.2% today, the future looks bright for this sector. A gradually expanding North American economy, pent-up demand for new cars, and a push for more fuel-efficient components are all contributing to this rosy outlook. In addition, Martinrea trades at a price/sales ratio of just 0.3 which compares favourably to its 8 year average of 0.5. MRE is a cheap stock. Perhaps shares were down on the day because of concerns about MRE's European operations. It could also have been a volume related issue as only 120,000 shares changed hands vs. the 3 month average volume of 330,000. Maybe both? A tough day but longer term, MRE's prospects look good.

Nevsun Resources ([TSX:NSU](#))

Another gold miner that has been hit by the issue of political risk. Nevsun was down 4.1% on Monday as it has been one of the Canadian companies that have recently been tied to corrupt practices in Africa. Allegations against Nevsun surfaced in mid-January after a Human Rights Watch report

accused the company of failing to prevent forced labour at its mine in Eritrea. The country's ruling political party had forced Nevsun to hire a company that it owned, Segan Construction, as a major subcontractor at the mine. It was Segan who was actually carrying through with the forced labour.

As resources become more and more scarce, companies are having to reach into countries that might be mineral rich, but are political disasters. As illustrated by days like today, investors need to proceed with extreme caution when getting involved with a company that faces this type of risk.

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Fool contributor Iain Butler owns shares of Martinrea. The Motley Fool has no positions in the stocks mentioned above.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CG (Centerra Gold Inc.)
2. TSX:MRE (Martinrea International Inc.)

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