Sell These 3 Stocks in May and Go Away… For Good

Description

There is a common saying that an investor should "Sell in May and Go Away"; that is, sell his stocks in May and not buy them back until the end of October. The idea is that stocks supposedly underperform during this period.

This is not a strategy we would endorse here at The Motley Fool; it goes against the principle of buying stocks for the long term. Of course, there are some stocks that are worth selling at this point, no matter what month we are in. Not because they'll do badly in the next six months – any stock can do well in the short term – but because the odds are against you over time. Below are three such companies.

1. Barrick Gold

The past three years have not been kind to shareholders of **Barrick Gold** (TSX: ABX)(NYSE: ABX), as a sagging gold price and operational mishaps have crushed the stock. Poor corporate governance issues haven't helped either. But even at this point, it's not too late to sell the stock.

The numbers from 2013 tell the story: Free cash flow was negative $1.3 billion last year. Even if we don't include $2 billion spent at Pascua Lama, that's still only $700 million in cash flow, in a year when gold prices were $1,400 per ounce (gold is currently at $1,290). So once you lump in all capital expenditures required to keep Barrick going, it's very difficult for this company to make money.

Yet Barrick still has a market capitalization of $21 billion. So if you want to bet on the price of gold increasing, you're better off holding an ETF.

2. BCE

There are a lot of things to like about **BCE Inc** (TSX: BCE)(NYSE: BCE). Limited competition and subscription-based revenue have allowed BCE to generate consistent earnings and pay a solid dividend, currently yielding 5.0%.

But there are numerous trends working against the company. Industry statistics show that the number of television subscriptions is down for the first time ever in Canada. Rival **Rogers** has outbid BCE for both wireless spectrum and NHL games. And the Canadian government continues to impose new regulations on Canada's wireless carriers.

Dividend-focused investors are likely better-off holding the banks, pipelines, or grocers.

3. Lululemon

Lululemon Athletica Inc (TSX: LLL)(Nasdaq: LULU), like Barrick, has had a rough year. An embarrassing product recall, combined with ill-conceived comments from founder Chip Wilson, has seriously damaged the company's brand. Since the brand has been the Lululemon's key competitive advantage, the future looks a lot less promising for the company.

Even more worrying, the competition is heating up. Lululemon acknowledges it is "not the only game in town" anymore, and this will make it difficult to sell clothing at such high margins. Yet the stock still trades at over 20 times earnings.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:LULU (Lululemon Athletica Inc.)
2. NYSE:B (Barrick Mining)
3. NYSE:BCE (BCE Inc.)
4. TSX:ABX (Barrick Mining)
5. TSX:BCE (BCE Inc.)

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