



Will Negative-Beta Stocks Help Outperform the TSX?

Description

Beta is a measure of risk; specifically, it's how risky a stock is in relation to the market. A beta of more than one indicates a stock has larger swings than the market, and a beta of less than one indicates it has less volatile swings. A negative beta, however, suggests that the stock moves in the opposite direction of the index. Beta can change over time, and one financial website can calculate beta over a different period of time than another website. It can be a moving target, so it is important to understand why there might be fluctuations or differences in it.

Alimentation Couche Tard Inc. (TSX:ATD.B) has a beta of -0.36, and year-to-date returns have been down over 2%, while the TSX has returned a loss of 0.90%. If we look at a broader range, 12 months, then Couche Tard has a positive return of 1%, but it is still less than the almost 4% the TSX has brought in. We need to look at the five-year window before we see the stock outperform the TSX, with its return climbing to 277% compared to just 28% for the market.

In the short term, Couche Tard has not provided investors with much security over the TSX and has actually performed worse. In the long term, the stock's performance has been due in large part to its successful sales and profit growth over the years, and during that time its beta may have looked much different.

Waste Connections Inc. ([TSX:WCN](#))([NYSE:WCN](#)) also has a negative beta of -0.14 listed for its stock. Year to date, this stock has been up over 15% and almost 25% in the past 12 months. In this case, the negative-beta stock has vastly outperformed the TSX. If we extend the outlook to five years, then the gap is even wider, with Waste Connections yielding a total return of over 185%.

Waste Connections is a winner in all time frames and could be a good stock to rely on outperform the TSX.

Valeant Pharmaceuticals Intl Inc. (TSX:VRX)(NYSE:VRX) lists a high negative beta of -0.81 and, year to date, has seen returns of just over 4%. However, in the past 12 months, the stock has been much worse than the TSX, losing over 30% in value. In the past five years, the stock has declined by over 50%. The only time frame Valeant has proven to beat the TSX is during the short term.

The problem with this analysis is that Valeant's stock has seen a significant tumble due to its own doing and internal problems. The recent outperformance of the TSX may have had more to do with the stock reaching a bottom rather than having a tendency to go in the opposite direction of the market.

With the exception of Waste Connections, the stocks here have not proven to be more helpful in beating the TSX, especially in the short term. The one reason Waste Connections may be able to ignore the TSX's overall impact is because the company is effectively recession-proof; the company's services are needed regardless of whether the economy is doing well or not.

CATEGORY

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TICKERS GLOBAL

1. NYSE:BHC (Bausch Health Companies Inc.)
2. NYSE:WCN (Waste Connections)
3. TSX:BHC (Bausch Health Companies Inc.)
4. TSX:WCN (Waste Connections)

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