Not Even “The Force” Can Save These 2 Hideous Stocks

Description

High dividend yields are really attractive to income investors who depend on the payouts for their living expenses. The thought of giving yourself an instant raise is compelling to retirees who may wish to have a bit of extra cash to spoil their grandkids with, but there’s a huge risk involved with getting such a “raise.”

In the long term, investing such a high-yielding security may not actually be a raise, but a detriment to your retirement portfolio, which could result in a drastic cut to your monthly income! That’s quite the opposite of a raise. Yikes!

Not to scare you or anything, but if you “gamble” on these high-risk, high-yield securities, you could see your retirement fund evaporate over the course of a few months when it was supposed to last you decades.

If a yield has grown substantially over a few days because of a plummeting stock price, that should ring alarm bells. Not only could the dividend be in jeopardy, but your total returns could take a huge hit, and if a dividend cut happens, you’ll be the one left holding the bag.

Consider the stocks of **Cineplex Inc.** (TSX:CGX) and **Corus Entertainment Inc.** (TSX:CJR.B), both of which are falling knives with yields that get bigger by the day. At the time of writing, Cineplex and Corus have dividend yields of 5.35% and 13.5%, respectively. These higher-than-average yields are the result of both stocks plunging by ridiculous amounts over the past few years.

While there’s certainly a chance that you could lock in a high-yield as a company rebounds, the more likely scenario is that your total returns will suffer, and you’ll end up receiving no dividend to go with capital losses by the time you decide to throw in the towel. Talk about all or nothing!

Not even the *Star Wars* franchise can save these two struggling businesses

Both Cineplex and Corus investors may have hope that *Star Wars* could help out their respective stocks. Cineplex, as you may know, benefits a great deal from Hollywood hits like *Star Wars: The Last Jedi*, but you may not know that Corus also has ties to the force with its exclusive Canadian broadcast rights to the collection of *Star Wars* films.

Star Wars is an incredible franchise, but it appears that “The Force” isn’t strong with either of these two battered Canadian companies.

Adam Shine, **National Bank of Canada** analyst, recently cut the price target for Cineplex, citing that the recent *Star Wars* film “just didn’t deliver the upside strength.”

“While expectations were always for something slightly lower [compared to *Star Wars: The Force Awakens*], the gap was much wider than expected,” said Shine.

Looking ahead, it looks like another year of box office duds for Cineplex, even with *Solo: A Star Wars Story*, which will likely not provide any sort of relief that Cineplex is looking for.

Looking back to Corus, the exclusive Canadian rights to show old *Star Wars* movies will probably do next to nothing for shares, especially since television advertising is likely to continue to be weak for the long haul.

Bottom line

Both stocks are still falling knives and are within industries that are in secular decline. Unfortunately, even the legendary *Star Wars* franchise can’t save their respective businesses.

It appears that both firms are feeling the heat from the Death Star that is **Netflix Inc.**, so unless you’re a contrarian who can afford to deal with short-term pain, I’d recommend looking elsewhere.

Sure, both stocks may seem like value picks after their plunges, but as Admiral Ackbar once said: “It’s a trap!”

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TICKERS GLOBAL

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2. TSX:CJR.B (Corus Entertainment Inc.)

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