Stocks That Will Not Make a Comeback

Description

With a lot of market volatility on the books for the past week, investors have seen their holdings and their portfolios fluctuate to a large degree. In this case, just as in many, the result has been exactly what should have been expected: a loss of capital.

Although these events are completely normal for most investors who have been at it for a very long time, the truth is that not all stocks (or industries) are created equally. As the market either rebounds (or continues to slide) there will be companies that will perform better than others. To begin with, many consumers who were already stretched with higher rates of interest are once again beginning to feel the pinch, as the Bank of Canada raised rates again for a third time over the past month. To boot, higher oil prices are very often pushed to consumers much more quickly than the discounts.

The result of these two factors which impact the Canadian economy in a "macro" way is very clear: disposable income will decline, and companies that supply products that are not staples may find themselves in a lot of trouble very quickly. To begin with, let's take a look at shares of **Restaurant Brands International Inc.** (TSX:QSR)(NYSE:QSR), which is the owner of Tim Hortons.

Although each location is operated by a franchisee, the head office receives a percentage of everything sold and is responsible for setting standards across the company. With a lot of bad press of late, shares of the company have taken a hit and have declined to a price near $71. The stock offers a dividend yield of less than 1.25%. The challenge is trying to run a profitable operation with less-than-happy franchisees, employees, and a general public that is being squeezed tighter and tighter. At the end of the day, coffee can be brewed at home for a much cheaper price.

The second company to consider avoiding (or potentially short selling) is none other than **Air Canada** (TSX:AC)(TSX:AC.B). At a price of $22.59 per share, Air Canada is on the cusp of a major decline.After moving sideways for several months, the moving averages are starting to catch up to the shareprice, which will eventually have the effect of acting as a weight around the company's shoulders. Asthe price of oil has increased, and the stock market looks to be pulling back in a major way, many maybe loath to commit to taking trips or undertake additional business traveling, which is often done morefrequently when the economy is firing on all cylinders. Basically, travel may slow down significantly.

Although these companies have had great runs, a large amount of market volatility may force many investors to re-evaluate what they are willing to pay for each investment. The value offered by these companies is no longer obvious.

CATEGORY

1. Investing

TICKERS GLOBAL

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2. TSX:AC (Air Canada)
3. TSX:QSR (Restaurant Brands International Inc.)

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