



Can You Hold On to Your Stocks?

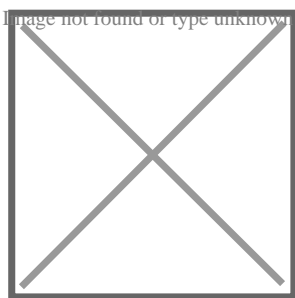
Description

Investors who are confident about their stock choices may hold concentrated portfolios. If they're right, they'll make good money. However, if they're wrong, they can suffer from big losses.

When investors have too much in a stock, and the stock goes south, they might not be able to hold on, in which case, the temporary unrealized loss will turn into a material loss when they sell.

For example, who would have guessed that **Altagas Ltd.** ([TSX:ALA](#)) stock would have gone down so much in so little time? For those who'd bought the stock a year ago at ~\$31 per share, how many are still holding the stock today after it has fallen ~22%?

There are lots of [uncertainties](#) surrounding Altagas, and the company has taken on lots of debt to fund its acquisition of **WGL Holdings**. Management expects to complete the acquisition by the end of June, but if it doesn't happen then, the longer the process drags out, the bigger the cost of financing.



Positioning

Whether investors can hold on to a stock has a lot to do with positioning. Before buying a stock, investors should have a good idea how much they plan to invest in it.

If you had a \$100,000 portfolio, you might consider \$10,000 as a full position. However, you might not aim for full positions in all your holdings. You might have, say, \$2,500 invested in a stock like Altagas.

Quality

Altagas has an S&P credit rating of BBB. Its bigger peer, **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)), has a higher S&P credit rating of A-. Some investors will have an easier time holding higher-quality TransCanada than Altagas. Altagas's bigger yield of ~9.1% compared to TransCanada's 5.3% also indicates Altagas is higher risk.

Valuation

How much investors pay for a stock will contribute immensely to whether they can hold on to it. The bigger the [margin of safety](#) you buy a stock at, the less downside there is, and the easier it will be to hold on to the shares.

Right now, the analysts at **Thomson Reuters** seem to agree that there's a bigger margin of safety in TransCanada than in Altagas. Specifically, TransCanada trades at a ~25% discount from the 12-month mean price target, while Altagas trades at a ~17% discount.

Investor takeaway

In order to be able to hold on to their stocks, investors should diversify their holdings in different industries, decide how much to hold in the desired stocks before making any purchases, focus on quality, and buy stocks at a discount.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/08/06

Date Created

2018/03/28

Author

kayng

default watermark

default watermark