After an Earnings Miss, Investors Need to Stay Clear of Canadian Tire Corporation Limited (TSX:CTC.A)!

Description

After falling close to 10%, shares of **Canadian Tire** (TSX:CTC.A) may finally be starting to look appealing to many investors. The caveat, however, is that momentum is a tough thing to break.

default watermark

After finally crossing under the 200-day simple moving average, shares of the unique Canadian retailer may finally be taking a break from the incredible year that it has had so far. In spite of being the "go-to" place for many consumers in a lurch, the company should be avoided at all costs by investors.

Similar to **AutoCanada** (TSX:ACQ), which declined by more than 25% after an earnings miss last week, it is becoming more and more clear that investors are willing to punish any name that fails to meet expectations. What this really means for investors is that there are very exciting short-selling opportunities available in the market. As corporate profits fail to increase quarter over quarter, it is becoming extremely clear that the economy has peaked and will be heading into a recession within the next 12 months — maybe even sooner.

When comparing just how bad the news is between these two names, many naysayers will continue to gravitate towards Canadian Tire, as the company has been extremely resilient. In fact, it will probably be the last retailer standing. However, a receding tide will lower all boats (including this one). Instead, consider shares of AutoCanada, as the company is deeply cyclical and maintains a high amount of exposure in the province of Alberta.

As the price of oil continues to hold around the US$70 mark, the increase in employment is finally leading many consumers to replace old vehicles and buy new homes. Essentially, the focus on black gold will lead Alberta in a separate direction as the rest of the country — again!

For investors who prefer to go long the market, the solution is quite simple. For others, however, the goal may be to find the most vulnerable industries available and go short.

As I have written about in the past, the airline industry has traditionally been one of the easiest to turn south, as the commitments and fixed costs become very high as fewer passengers fly for recreational reasons. In fact, both business travel and consumer vacations are put on the back burner, as salaries are cut across the board. For many hourly workers, there is less overtime available, and for c-suite-level executives, compensation declines as stock options dry up and variable compensation is cut as a source of cost savings.

One of the main factors that will make this recession far different than the last is the government's inability to cut interest rates more than a token amount, which will lead to a much lengthier downturn. Investors should become much more selective when it comes to stocks as we enter this market.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:ACQ (AutoCanada Inc.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)

default watermark

PARTNER-FEEDS

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

Category

1. Investing

Tags

1. Editor's Choice

Date
2025/10/01
Date Created
2018/08/13
Author
ryangoldsman

default watermark