My Top 4 Short Sells

Description

As interest rates rise again and again and unemployment reaches another “new low,” the stock market has become much more vulnerable than most want to admit. For those who study leading economic indicators, however, the situation could not be more clear: certain stocks and sectors are in for a major pullback.

At the top of the list is none other than **Air Canada** (TSX:AC)(TSX:AC.B). Airlines are traditionally some of the worst businesses to invest in. As discretionary income decreases (due to higher oil prices and interest rates), many people will have no other choice but to cut vacations they may be planning. To boot, the airlines will have to incur higher-than-usual costs to fly planes from one location to another. Higher oil prices impact everyone!

The second name is, again, in the travel industry. As the cost to move a cruise ship escalates alongside the price of oil, shares of **Carnival** (NYSE:CCL) have seen very little revenue growth over the past few years. In spite of a bottom line that is getting better and better, the momentum will be difficult to maintain. Once the motion comes to a stop, there will be very little reason for investors to continue holding shares of this name.

Back in Canada, companies such as **Canadian Western Bank** (TSX:CWB) may need to hit the pause button after shares increased by close to 50% over the past year. In spite of higher oil prices, the risk/reward ratio may no longer make sense for this name. As is always the case, investors need to ask what they are giving vs. what they are getting. At a price of more than $38 per share, profitability will need to increase drastically in order to receive any capital appreciation for buyers entering a new position today.

The final name on the list is **Bausch Health Companies** (TSX:BHC)(NYSE:BHC), formerly Valeant Pharmaceuticals, which remains under a mountain of debt with many drugs going off patent. In spite of a lot of “potential” in the new products that the company is either launching or re-launching, the reality remains bleak for a name such as this.

Although there may be some excellent products offered by this drug manufacturer, the reality is that the increase in interest rates (and the higher risk profile of the company) have made borrowing a much costlier endeavour, which is an added headwind to the company.

In spite of many long opportunities in the market, investors seeking to make a profit from both owning and shorting stock have even more tools at their disposal. As the economy becomes more vulnerable, it may be a best practice to hedge a few holdings.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BHC (Bausch Health Companies Inc.)
2. NYSE:CCL (Carnival Corp.)
3. TSX:AC (Air Canada)
4. TSX:BHC (Bausch Health Companies Inc.)
5. TSX:CWB (Canadian Western Bank)

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