3 Canadian Stocks I Wouldn’t Touch With a Barge Pole!

Description

“At some price, every company becomes a buy — even those with seemingly nothing going for [them].” says fellow Fool contributor Chris MacDonald.

While many deep-value investors may agree with this way of thinking, a vast majority of investors would be better off not going on the hunt for deeply discounted and damaged companies in the TSX’s bargain bin.

Cheap stocks are usually cheap for a reason, and a lot of the time their seemingly cheap financial ratios may be the siren song that leads investors to their doom. Just because a stock is cheap doesn’t mean it can’t become cheaper after you’ve picked up shares. We’ve seen this in the case of **Corus Entertainment** (TSX:CJR.B), the perpetual falling knife that can’t seem to find any sort of bottom.

Without further ado, here are three stocks that I wouldn’t touch at these levels:

Corus Entertainment

Here’s a stock that can’t seem to catch a break. It’s hard to believe that the stock has fallen 86% from its peak due to the secular decline of cable television and traditional media. Although the company isn’t in dire financial health (it still generates a generous amount of free cash), the cord-cutting trend is continuing to pick up, and, as we’ve witnessed over the past few years, going against such a powerful movement is a sure-fire way to get yourself hurt.

Ultimately, I see Corus as an attractive takeover target for its compelling lineup of assets, but as long as the negative momentum in the stock is still strong, I’d stay out of its way.

Magna International (TSX:MG)(NYSE:MGA)

President Trump is threatening Canada with harsh auto tariffs that could obliterate the auto part makers, most notably Magna. The stock may seem cheap with its 8.5 trailing P/E, but if no U.S.-Canada trade agreement ends up happening, shares of Magna could have much further to fall. If this happens, I wouldn't be surprised to see the P/E ratio fall to **Air Canada's** level.

Although investors may be somewhat optimistic in the hopes of finalizing a deal within the next 90 days, I wouldn't want to bet on it, as "the art of no deal" may end up happening. PM Trudeau has shown that he's not going to be "bullied" around with a sub-par deal that's not in the best interest of Canadians.

While Magna could pop if a surprise deal is made, I'm not a fan of betting on the results of exogenous events, which could make or break Magna stock over the next few months.

Cronos Group (TSX:CRON)(NASDAQ:CRON)

The previous two stocks are seemingly cheap bargains. Cronos is on the other side of the spectrum with its absurdly expensive price tag, which I think is out of this world.

In a previous piece, I'd warned investors to take profits after the stock doubled in just a few trading sessions. Those that stuck around were greedy and got punished severely, as shares took a massive +28% hit to the chin thanks mainly to Andrew Left of Citron Research, who thinks the name is a bad egg.

There's no question that Cronos was severely overvalued relative to industry peers thanks in part to its presence on the NASDAQ exchange, which eliminated the "home country discount" that other TSX-traded Canadian pot stocks possess. Add Left's short thesis into the equation, and you've got a formula for a dangerous stock with volatility that'll be akin to that of a penny stock. Investor beware.

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TICKERS GLOBAL

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2. NYSE:MGA (Magna International Inc.)
3. TSX:CJR.B (Corus Entertainment Inc.)
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