
2 Headwind-Plagued Stocks I'd Sell Today

## Description

As a top-down investor, or one who starts with the macroeconomic picture before narrowing down to individual securities, you can spot some pretty horrific secular headwinds that could plague an entire industry. Such headwinds may not have been as noticeable if you took a bottom-up strategy and failed to do all of your homework by analyzing a company-under-question's peer group and the macro prospects for its industry.



If you own shares of a company that's going up against a technological shift, it's usually advisable to trim your exposure or suffer the consequences, as the insidious effects brought forth by secular headwinds begin to garner momentum and work their way into the results of a handful of vulnerable companies.

Without further ado, here are two unattractive stocks I'd sell today.

**IGM Financial** (TSX:IGM)

Here's a value trap that's been really struggling of late. Last November, I'd urged IGM shareholders to take profits and run before shares pulled back violently. Fast forward to today, and shares are now down a whopping 22% with negative momentum continuing to pick up traction.

The company's revenues have essentially flat-lined with a mere 2.35% in annual revenue growth over the last three years. Moreover, the company's net income and earnings numbers have been retreating, and over the next five years, I think the downtrend will continue as investors gravitate towards passively managed, low-cost investment instruments. This transition will be aided by advancements in robo-advising, and other financial technologies that'll pressure the cost of human advisory services.

Simply put, high-fee, actively managed mutual fund sales are ripe for a continued decline, and as investors continue to pull their money, IGM will face insurmountable downward pressure.

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

NAFTA 2.0 (or the USMCA) is finally in the books! And gone are Trump's threats of severe auto tariffs!

While that's certainly a sigh of relief for auto part investors, it was surprising that shares of Magna didn't rally substantially following the announcement of Canada's inclusion into Trump's "new" NAFTA.

Before you load up on shares, I'd urge investors to take caution in the name, as individual auto ownership is ripe to plunge over the next decade as ride-hailing services continue to take off. Now, Magna (and other auto part makers) will undoubtedly be supplying parts for the ride-sharing, self-driving cars of tomorrow, but the big concern is the fact that in such an environment, there will likely be fewer vehicles on the road.

It's already becoming somewhat uneconomical to own autos in an era where one could merely summon an Uber or a Lyft. As these ride-hailing services roll out autonomous vehicles, the costs of riding will be lowered substantially, and we'll eventually reach a point where it'll be uneconomical and inconvenient to have ownership in a vehicle — a rapidly depreciating asset.

Fewer cars on the roads mean fewer auto parts will need to be made. That's a big chunk of the market that'll go up in a poof of smoke courtesy of technological advancements in the world of transportation.

**Foolish takeaway**

Secular headwinds are not to be taken lightly. Whether the headwinds are happening today (the fall of actively managed mutual funds) or in a decade from now (decline in total auto sales), investors are going to need to re-evaluate their long-term theses or risk locking in preventable losses.



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