



2 Stocks Under Fire From Short Sellers: Should You Buy Low Today?

Description

The S&P/TSX Composite Index got off to a rocky start on October 11, as the global stock rout continued into Thursday. The index was down 127 points as of late-morning trading. Canadian investors may be frustrated by renewed volatility after there were hopes for a bounce back on the TSX following Canada's trade deal breakthrough on the final day of September.

However, the dip also affords investors the opportunity to explore buy-low opportunities. Today, we are going to look at two stocks that were struggling before the global sell off. Both companies we will look at today have been targeted by short-selling campaigns. Does it make sense to stake a contrarian position today? Let's dive in.

Manulife Financial ([TSX:MFC](#))([NYSE:MFC](#))

Manulife Financial stock was down 2.6% in late morning trading on October 10. Shares have plunged 12% over the past week.

On October 4, the firm Muddy Waters took aim at Manulife and warned that an impending trial verdict could potentially lead to "billions in losses" going forward. Muddy Waters is forecasting that a verdict will be reached by the end of the year. Manulife moved quickly to play defence.

The company said that it expected to prevail and that the consumers and issuers of universal life policies did not intend to have the policies function as deposit or securities contracts. The purchaser, hedge fund Mosten Investment LP, argues that it can deposit an unlimited amount of money through the policy and obtain an annualized guaranteed return of at least 4% with one-month liquidity.

Manulife is expected to release its third-quarter results on November 7. The company has posted impressive growth in successive earnings, powered by its expansion into Asian markets. [History tells us](#) short-selling campaigns are no stranger to employing hyperbole, but investors may want to be especially cautious in a market that is entering dangerous waters.

Maxar Technologies ([TSX:MAXR](#))([NYSE:MAXR](#))

Maxar Technologies stock has dropped 10% over the past week as of late-morning trading on October 10. Shares are down over 50% in 2018 so far. Maxar was the target of a short-selling campaign in early August from the firm Spruce Capital Management.

The report from Spruce Capital claimed that Maxar's dividend was at risk and said that it "faces up to 100% downside risk" due to several factors. Those included what it called "poorly timed and executed levered acquisitions with no free cash flow," "earnings overstatement," and a dividend that will be in jeopardy unless Maxar commits to further borrowing to support it.

Maxar released a detailed response immediately after the report that took issue with Spruce Capital's claims. The company pointed to the progress made in its first-half 2018 results, where revenue grew by 9% year over year, excluding lower revenues in the GEO communications and the RCM Program in Canada.

Maxar recently announced that it is advancing its domestication into the United States, a process it expects to complete by January 2019. The U.S. government has moved forward on a massive budget increase and this includes a focus on beefing up its space program in the defence sector. Maxar intends to compete for contracts south of the border going forward. The stock is an [enticing if risky buy-low opportunity](#) right now.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MAXR (Maxar Technologies)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:MFC (Manulife Financial Corporation)

PARTNER-FEEDS

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

Category

1. Investing

Date

2025/08/17

Date Created

2018/10/11

Author

aocallaghan

default watermark