3 Scary Stocks to Exorcise Before Halloween!

Description

October is a particularly harsh month for investors: earnings season has been and gone, and the big financial squeeze of Christmas is close at hand. This October still has the potential to be a particularly bad one, as financial uncertainty stalks the global markets. From protectionism to Brexit, oil price machinations to the IMF's downgraded outlook, there's a lot going on at the moment to weigh on the **Toronto Stock Exchange.** Below you will find a fistful of stocks to consider throwing away before the end of the month.

Cineplex (TSX:CGX)

If any kind of economic decline materializes over the next few months, you can expect to see people staying home in droves to watch stuff on the Internet in the comfort of their own surroundings. Throw in groups of pals, bottles of pop, pizza, microwave popcorn, and a beer straight from the fridge, and it's a wonder people even go out to watch movies anymore.

It doesn't help that Cineplex stock is also a dud in terms of its data: a P/E of 26.7 times earnings is much too high, while a debt level of 86.2% of net worth is an indicator of poor quality. Think things are going to get better? A projected annual growth in earnings of just 5.5% is much too low for an entertainment stock, and may even be a little optimistic given the economic uncertainty in the air.

Capital Power (TSX:CPX)

On the face of it, this is a discounted dividend stock fit for a TFSA or RRSP. But is it really? Looking beyond a favourable comparison against the future cash flow value, a sharp-eyed investor can see a P/E of 52.2 times earnings and one-year past loss of earnings of 74.6%, together signifying a stock to steer clear of.

With high comparative debt at 70.1% of net worth, Capital Power's past year has been even worse than the industry average of -7.1% for the same period. It's a poor past-year ROE of just 3% confirms a currently low-quality, underperforming stock with a dividend I wouldn't place a bet on.

Canopy Growth (TSX:WEED)(NYSE:CGC)

Yes, *that* Canopy Growth: the darling of Canadian pot stock headlines everywhere. Never mind its apparently defensive market cap of $14 billion: a ticker with a negative P/E ratio should have no place in your portfolio unless it has some verifiable growth ahead of it.

I say “verifiable” because I’d be surprised if the legal marijuana industry gets anywhere near as big as it has been estimated to become within the next one to two years. While there is clearly a market for the green stuff, stabilizing sales of the legal version of it will be no mean feat, and a future increase in demand is far from assured.

This is a pretty poor quality stock if you go by the data: looking at its past 12-month earnings you’ll see a loss of over 1000%. With no dividends on offer, and comparative debt that totals half of its net worth, the best thing you can arguably do with this stock at the moment is sell it.

The bottom line

Look forward to more “dud stock” articles as fall turns into winter: I’ll be sure to draw up a list of Christmas turkeys for you all! Until then, it may be a good idea to carve out a more profitable Halloween portfolio for yourselves, taking care to scoop out any sloppy tickers like the ones above.

CATEGORY

1. Energy Stocks
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TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. TSX:CGX (Cineplex Inc.)
3. TSX:CPX (Capital Power Corporation)
4. TSX:WEED (Canopy Growth)

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