



## Bears Attack: Investors Are Betting Against These Stocks

### Description

We are amid full market chaos. Bears are mauling bulls, and the markets are wildly unpredictable. In such times, retail investors tend to get caught up in the emotions and head for the exit. Funds flow from growth stocks back into [more defensive industries](#).

Will this be just another blip in the market? It's too early to tell, but one way to protect your portfolio is not to invest in stocks that investors are betting against. These are stocks that are the [target of short-sellers](#). One of the best metrics is to look at companies that have the highest percentage of shares on loan.

### Cheapest Canadian bank stock

At the top of investors short list — **Laurentian Bank (TSX:LB)**. Laurentian has been a mainstay on the list of most-shorted companies for many months. It's one of the reasons Laurentian's share price has been mired in a yearly downtrend. Despite putting its mortgage issues behind it, the company is trading at 52-week lows.

At first glance, there is no doubt that Laurentian can be considered the cheapest Canadian bank stock. The company is trading at 0.79 times book value and 7.91 times earnings. There is value to be had here. The problem, however, is that the company is undergoing a capital-intensive revitalization program. Laurentian is in the midst of upgrading its branches and internal systems. This is an expensive undertaking, as the company's systems and branches are significantly outdated.

If that weren't enough, the possibility of a strike has investors on the defensive. Laurentian is the only bank in North American with a unionized workforce. The bank and the union have been at an impasse for months, which has hampered the company's plans to move forward with its strategic plans.

During its last conference call, CEO François Desjardins expressed as much: “We must delay investment in technology and real estate through this sector, including the migration of accounts onto the new core banking platform.” These comments were in direct relation to the uncertainty of labour unrest.

## This stock is giving investors nightmares

If you're having a hard time sleeping, it might be because **Sleep Country Canada Holdings** ([TSX:ZZZ](#)) is jumping up the short list. Now the seventh most-shorted company on the TSX, Sleep Country has been slowly climbing the list. This isn't a good thing, as it implies investors are increasingly bearish.

The company has now lost almost 37% year to date and is trading at 52-week lows. At issue? Falling mattress sales. The company is seeing increased competition from online retailers and “mattress-in-a-box” companies. The industry is undergoing significant change, as customers' shopping habits change. Gone are the days whereby customers would first test a mattress in person before buying.

There is a significant shift happening, and Sleep Country is getting caught snoozing. To make matters worse, insiders haven't exactly instilled confidence in the company. Insiders have been disposing of shares in the open market at a pace that far exceeds insider buying.

## Foolish takeaway

Monitoring short-selling activity is a good way for investors to ensure they aren't betting against the market. Laurentian Bank and Sleep Country Canada continue to be the target of short-sellers. These companies have significant headwinds, and in today's volatile market, it's best to stay away.

### CATEGORY

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1. Editor's Choice

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