Warning: December Is on Pace for its Biggest Loss Since the Great Depression

Description

It has been a rough month for equities. In fact, research has shown that the S&P 500 is on pace for its biggest December loss since the Great Recession. Yes, you read that correctly. It has been 87 years since December has been this bad for the stock markets. In the past month, the TSX Composite Index is down 5.1% and has lost 10.50% in the last quarter. It isn't pretty.

What should investors do? For starters, don't panic. If you sell on emotion, you will almost certainly make a mistake. Trading on emotion is the main reason why retail investors don't fare well and underperform the market. As most everything is down, it is important to understand that not every dip is a buying opportunity.

Investors should focus on high-quality stocks with reliable and consistent performance. As such, investors should avoid stocks like **High Liner Foods** (TSX:HLF) and **Corus Entertainment** (TSX:CJR.B).

Worst-performing stocks on the TSX Index

High Liner's and Corus's troubles began well before the recent market downtrend. Year to date, they have lost 71% and 82%, respectively. This puts them among the worst-performing stocks on the TSX Index.

I've warned investors about High Liner Foods before. It has many headwinds, and analysts are constantly revising estimates downwards. It fit the definition of a falling knife. Corus tried to transform itself when it acquired Shaw Media back in 2016. Unfortunately, it took longer than expected for the company to realize the expected synergies. In the meantime, its revenue has also been trending downward.

This isn't a one-year trend. High Liner has been in a downward trend since October of 2016 and Corus's share price has been on a fairly steady decline since 2014.

Worst-performing dividend-growth stocks

The Canadian Dividend Aristocrat list is usually a place where investors go to find safe and reliable dividend-growth companies. Aristocrats have raised dividends for five or more consecutive years.

Corus was once a Canadian Dividend Aristocrat. However, last year it failed to raise dividends and lost its status in 2018. The company was yielding above 10% and the writing was on the wall. Sure enough, the company slashed its dividend by 79% this year.

High Liner is still considered a Canadian Dividend Aristocrat, having raised dividends for 10 consecutive years. Although the company will keep its status heading into 2019, there is reason for concern. In 2018, the company paid out more dividends to shareholders than the previous year. However, it also marked the first year since its streak began that it did not announce a dividend increase.

Sound familiar? Corus followed the exact same pattern before eventually slashing its dividend. At first glance, High Liner's dividend appears to be safe, as it has a respectable payout ratio of 61%. However, earnings are expected to drop by almost 50% in 2019, and that payout ratio will jump to 110%. The company's dividend is currently yielding 8.65%, which is double its historical average and not sustainable over the long run.

Foolish takeaway

Don't be enamoured by all buying opportunities. Research has shown that averaging down underperforms averaging up. Corus and High Liner shareholders should know this first hand by now. There are plenty of other more reliable dividend-growth stocks that are trading at good valuations. Avoid these two duds.

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mlitalien