Sell These Stocks Right Away Before the Market Falls Even Lower!

Description

The bull market is on life support right now, and if you're still buying stocks with the hope of an abrupt rebound, you're positioning your portfolio to take on more damage than necessary. We could very well be on the cusp of a "man-made" recession, and if you're like most investors, you're Fed up with the endless rate hikes and their implications on cyclical, higher-growth companies.

Technically speaking, the markets are broken. With no signs of relief ahead, it's only prudent to steer away from riskier securities that are more sensitive to the economic cycle because like it or not, we're close to the end of the current cycle. In fact, some pundits already think the curtains have already been pulled on the current cycle as we know it.

Without further ado, here are two stocks that you may want to rid yourself of if you're looking to lower your downside in what could be a nasty start to 2019:

IGM Financial (TSX:IGM)

I've been incredibly bearish on IGM for quite some time now. Earlier this year, I called IGM my best short idea for 2018. At the time of writing, the stock is down 27% year to date (not a bad return for the shorts), and while the name undoubtedly got caught up in the broader market sell-off, IGM remains on the wrong side of a multi-year secular decline for actively managed mutual fund products.

You see, a huge chunk of IGM's profits was derived from actively-managed mutual funds that commanded obscene fees (with MERs well north of the 2% mark). As competition in the low-cost ETF space heats up in conjunction with the proliferation of DIY investors who want to take control of their own investments, IGM will have no choice but to adapt and settle for lower commissions on its lineup of investments, as assets under management (AUM) begins to retreat year over year.

Add the rise of robo-advisors into the equation and IGM is forced to play in an arena with competitors that could easily crush it. The days of easy profits are over, and if IGM wishes to adapt, it's going to need to invest in lower-ROE initiatives like R&D, plain and simple.

At this juncture, I don't think the market has completely realized the top and bottom line erosion that the company stands to experience over the next five years as the wealth management scene changes for the better of individual retail investors to the detriment of non-bank wealth managers like IGM.

Canadian Western Bank (TSX:CWB)

Here's a regional bank that primarily operates in Western Canada, as you probably would have guessed given the name of the bank! With a substantial amount of business derived from Alberta, whose economy has been roughed up with plunging heavy oil prices, you would think that Canadian Western Bank had seen the worst.

That's just not the case. With no relief in sight for Western Canadian Select (WCS) and visible dents in the British Columbian housing market, Canadian Western Bank could see severely exacerbated downward moves over the next year as the appetite for equities continues to decrease.

Select B.C. housing markets (like Vancouver) have begun to cool thanks in part to government intervention. Over the next year, many pundits believe the red-hot housing market will continue to see pressure, and although a continued cool down is the likeliest scenario, I wouldn't rule out a more violent collapse in housing prices, which would be a massive negative for Canadian Western Bank's B.C.-based loan growth.

Whether or not the markets continue to plunge, I think Canadian Western Bank is shaping up to be a terrific short for 2019.

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