
Danger: 2 Losing Stocks I'd Sell Right Now

### Description

It's hard, but sometimes you've got to break Warren Buffett's number one rule — "don't lose money" — by cutting your losses and moving away from a loser that's positioned to continue losing.



In the heat of the moment, it can be tough to know whether or not you're on board a sinking ship. With more homework and due diligence, however, if all clues discovered point to you selling the stock before more damage is done, it's time to swallow your pride and recover what remains of your invested principal.

Without further ado, here are the two losers I'd rid from my portfolio.

## IGM Financial (TSX:IGM)

IGM found itself on the wrong side of a secular trend. High-fee mutual funds are out, low-cost ETFs, robo-advisors, and tech-driven, no-cost DIY investing is in. And that's not a fad; it's a technological shift that's disrupting the world of investing.

You've probably seen Questrade's commercials that take subtle jabs at the state of the wealth management industry. It's the truth, and as shocking as each commercial may sound, the commercials are drilling into the minds of Canadians that they don't need to surrender their money to the hands of an advisor who may take advantage of a position of power considering the massive hurdles between everyday prospective investors and the expertise required to invest adequately.

While IGM has undoubtedly adapted by revamping itself and better catering towards high-net-worth clientele, I believe that the lack of 2.8% MER fund assets-under-management decay will accelerate in the years ahead. As such, I wouldn't touch IGM with a barge pole, no matter how fat the yield gets over the near term.

## Cineplex (TSX:CGX)

Here's another company on the wrong end of a secular decline. Cineplex is a victim of the content war that's just getting started between streamers.

Moreover, the "stay-at-home" economy isn't going anywhere soon, as it's the preferred option for many of today's consumers due to the fact that it's more convenient and more economical to stay at home to view a film for a fraction of the price of what it'd cost to go out and see a movie while not being able to resist the temptation of the high-priced, unhealthy concession stand items.

Now, although I wouldn't touch Cineplex stock, I am a fan of its management team and the progress that's been made to get the ship moving back in the right direction. Unfortunately, the ship is sinking, as box office dry-ups are now indeed a thing, and diversification efforts won't be as meaningful to revenue and earnings as they will be in three to five years' time.

Steering a sinking ship in the right direction still leaves a real underlying issue to solve: patching up the hole. And for Cineplex, the gap is undoubtedly the box office segment, which is at the mercy of Hollywood. While there are a multitude of different things that the company can do to patch up the hole, I believe the company will continue to struggle, as the puck heads towards video streamers and away from traditional movie theatres.

Sorry, Cineplex, but once the puck is out of your reach, and your opponent is on a breakaway, you have nothing to do but observe and potentially take the minus rating should your goaltender not be able to stand on his head.



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1. TSX:CGX (Cineplex Inc.)
2. TSX:IGM (IGM Financial Inc.)

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