1 Stock Near 52-Week Lows: Should You Buy Before February?

Description

In early 2018, I'd warned investors to be wary of financial stocks. The previous year had produced solid gains for the Canadian market, and U.S. indexes soared on the back of U.S. tax reform. However, earnings growth was largely priced in throughout the year. Stronger economic indicators also paved the way for higher interest rates, which motivated anxiety in the investing world. This would set the stage for a choppy 2018 as far as valuations were concerned in the financial sector.

Financial stocks were hammered in the final months of 2018, but several top bank stocks have bounced back nicely in January. Today, we are going to look at one financial stock that has plummeted to 52-week lows this month. Is it worth picking up before February? Let's dive in.

Gluskin Sheff & Associates (TSX:GS) stock has plunged 11.1% in 2019 as of mid-afternoon trading on January 28. Shares have dropped 41% year over year. Gluskin Sheff & Associates manages investment portfolios for high-net-worth clients and select institutional investors.

The company is set to release its second-quarter fiscal 2019 results on February 6. In the first quarter, Gluskin Sheff reported that total assets under management dropped to $8.89 billion as at September 30, 2018, compared to $8.92 billion as at September 30, 2017. Slower summer sales and larger net withdrawals were in part offset by a positive net investment performance of $35 million. President and CEO Jeff Moody reiterated the company's expectations of volatility going forward and stressed its focus on discipline and risk management.

On January 18, Gluskin Sheff announced assets under management of $8.2 billion as at December 31, 2018. The decline in AUM was attributable to a negative net investment performance of $592 million and net withdrawals of $108 million. Moody described the quarter as "the most challenging market we have been confronted with since the Global Financial Crisis."

David Rosenberg, chief economist and strategist at Gluskin Sheff, has long been skeptical about the post-tax reform bounce. He called the recent TSX rebound "a rally for traders to rent, and not for investors to own." Rosenberg has struck a bearish tone for some time now and late last year called for a recession within 12 months. With its chief economist remaining firmly in the bear camp, should investors feel the same way about Gluskin stock?

Shares of Gluskin had an RSI of 38 as of this writing. This indicates that the stock is just outside oversold territory in late January. However, at a price of $9.40, the stock is trading very close to its 52-week low of $9.07.

Gluskin looks like a very risky pick-up, as we await its next earnings release. However, shares may pique the interest of income investors. The stock last paid out a quarterly dividend of $0.25 per share, which represents a monster 10.8% yield. Of course, continued poor performance for the company and for the markets at large could put this high payout at risk going forward. The stock has been battered over the last year and looks poised for more trouble, so its attractive dividend does not move the needle to a buy.

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