Proceed With Caution: Here Are 3 Fresh Downgrades From Bay Street

## Description

Hello again, Fools. I'm back to highlight three stocks that have been recently downgraded by Bay Street. While analyst opinions should always be viewed with a skeptical eye, downgrades can often call our attention to risks we might've been overlooking.

For value investors, they can even be a source for contrarian buy ideas.

Without further ado, let's get to it.



# Feeling unwell

Leading off our list is **Jamieson Wellness** (TSX:JWEL), which was downgraded by Canaccord Genuity from "buy" to "hold" on Thursday. Along with the downgrade, Canaccord analyst Derek Dley lowered his price target to $23 (from $26), representing about 22% worth of upside from where it sits now.

Jamieson is set to release its Q4 results later this month, but Dley sees a challenging near-term outlook. Specifically, he thinks that the challenges related to Jamieson's Specialty Brand business will take a couple of quarters to smoothen out. Due to these hurdles, Dley says that Jamieson's full-year 2019 guidance may come in below its medium-term growth targets.

That said, with Jamieson already down 12% in 2019 — versus a gain of 10% for the S&P/TSX Capped Consumer Staples Index — the bearishness might already be baked in.

# Home on

Next up is **Home Capital Group** (TSX:HCG), which was downgraded by Raymond James from “outperform” to “market perform” on Thursday. Along with the downgrade, Raymond James analyst Brenna Phelan maintained her price target of $18.50 per share, representing about 16% worth of upside from where the stock sits now.

Raymond James upgraded Home Capital following its big December sell-off, but Phelan thinks now is a good time to head back to the sidelines. Negative housing data, combined with tighter regulatory liquidity requirements, will likely weigh on the shares over the short-term according to Phelan. Moreover, with the stock having rallied recently, the risk/reward trade-off isn’t ideal.

The shares are already up 8% in 2019 — in line with the S&P/TSX Capped Financial Index — so being cautious makes a tonne of sense.

## Not-so-sunny skies

Rounding out our list is **Sun Life Financial** (TSX:SLF)(NYSE:SLF), which was downgraded by **Scotiabank** from “sector outperform” to “sector perform” on Wednesday. Along with the downgrade, Sun Life analyst Sumit Malhotra lowered his price target to $53 (from $58), representing about 12% worth of upside from today’s prices.



Malhotra thinks that Sun Life’s valuation is a bit stretched at this point. Malhotra expects constrained EPS growth from Canadian life insurers, in general, but said Sun Life’s P/E premium makes it a particularly good candidate to “take relative profits” on.

Malhotra’s 2019 estimate for Sun Life is 30% below the consensus.

Sun Life shares are still off 8% over the past six months — versus a loss of 3% for the S&P/TSX Capped Financial Index — and it boasts a juicy dividend yield of 4%, so it’s worth watching.

## The bottom line

There you have it, Fools: three recently downgraded stocks that you might want to keep an eye on.

As always, they aren’t formal sell (or contrarian) recommendations. Bay Street’s long-term track record is notoriously mediocre, so plenty of due diligence on your part is still required.

Fool on.

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1. Investing

**TICKERS GLOBAL**

1. TSX:HCG (Home Capital Group)
2. TSX:JWEL (Jamieson Wellness Inc.)
3. TSX:SLF (Sun Life Financial Inc.)

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**Date**
2025/06/30
**Date Created**
2019/02/08
**Author**
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