Warning! 2 Stocks That Could Make or Break Your Portfolio

Description

Investors had ample warning about the state of the economy as we entered 2019. North American stock markets had violent convulsions in the final months of 2018. The sell-offs were reversed in January after the U.S. Federal Reserve and Bank of Canada indicated that there will be a dovish turn this year. However, the reality of slower growth for both economies is a lingering concern.

In January, I'd discussed the shaky performance of stocks in industries like aerospace, transportation, and rail. A Statistics Canada report for November 2018 revealed that the manufacturing sector posted a 0.5% decline in activity year over year. Transportation and warehousing also dropped 0.5%.

Today, we are going to look at three stocks that have been punished over the past year. Should investors pounce on potential discounts or expect more volatility?

Bombardier (TSX:BBD.B)

Bombardier stock has plunged 22.2% over the past three months as of close on February 8. Shares are down 34% year over year. Bombardier stock has been punished over the past year, but the company has also managed to overcome some troubling obstacles.

The company saw earnings rise 48% year over year in Q3 2018. Bombardier upped its guidance for 2019 and projected improved cash generation. However, the company took heat after announcing it would slash 5,000 jobs as part of its ongoing restructuring. It is expected to release its fourth-quarter and full-year results for 2018 this week.

Bombardier stock fell into oversold territory rapidly following its Q3 release. It recovered quickly and has been on a flat pace since late 2018. Still, I like Bombardier at its current price ahead of its Q4 release.

Linamar (TSX:LNR)

Linamar stock fell 7.57% on February 8. Shares have climbed 6.2% in 2019 so far, but the stock is down 28.2% year over year. Sales at Linamar and automotive parts manufacturer giant **Magna International** were very good in 2018, but trade tensions put downward pressure on equities in the auto sector. The USMCA has yet to be ratified, which has not worked to alleviate anxieties after an agreement was reached in late 2018.

For the first nine months of 2018, Linamar saw sales increase to $5.88 billion compared to $4.97 billion in the prior year. The company reported adjusted net earnings of $470 million, or $7.09 per share, compared to $414 million, or $6.27 per share, in the previous year. The board of directors also declared a dividend of $0.12 per share, which represents a modest 1% yield.

Linamar looked overpriced above the $50 mark in early February, especially ahead of its fourth-quarter earnings release. However, after its dip late last week, the stock may be a sneaky pickup at $48.13. It has an RSI of 45, which puts it in neutral territory price wise right now.

Bombardier and Linamar are risky pickups as risks build in the broader economy. However, both stocks also come at a nice price as the TSX veers into overbought territory.

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Date
2025/08/24
Date Created
2019/02/11

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