



Revealed: 3 Stocks I Would Sell... Immediately

Description

Don't listen to the small minority of investors who are bearish on Canada. We have a strong economy supported by dozens of terrific blue chip stocks.

Many of these long-term winners have the kinds of economic moats U.S.-based companies can only dream of. Our telecom and banking spaces are dominated by a handful of big players who are protected by government regulations. Our largest pipeline companies have grown into energy service powerhouses. Although Canada's tech space is small, the leaders are among the world's best.

But not every Canadian company is worthy of inclusion in your portfolio. There are hundreds of local stocks I wouldn't touch with a 20-foot barge pole. I might be bearish because of poor business prospects, the stock's presence in a crummy sector, or maybe I don't like the management.

Here are three Canadian stocks I'd be selling immediately if they were in my portfolio, companies I think are most likely doomed. Perhaps they won't go away forever, but I'd say their chances of regaining past glory are virtually nil.

Obsidian Energy

Don't be fooled by **Obsidian Energy Inc's** ([TSX:OBE](#))([NYSE:OBE](#)) low price-to-book value or price-to-cash flow metrics. This company will likely file for bankruptcy soon.

It's a fitting end for a company that has been mismanaged for the better part of a decade. Between 2011 and 2014, when the company was still called Penn West, management piled on the debt making a series of ill-timed acquisitions. Then the overall energy market tanked and the company needed to sell assets in a poor market to stay alive.

Unfortunately for Obsidian, the market hasn't cooperated with its efforts to survive. Crude oil is stubbornly remaining under \$60 per barrel. The company needs to do a reverse stock split to retain its NYSE stock listing, and it desperately needs to pay off debt (still), which means it will likely need to issue stock. Shares trade at the lowest level in the company's history, which is not a good time to be

doing an equity raise. I doubt there will be any investors interested.

I owned this dud during 2014-2016 and it remains one of my biggest investing mistakes. At least I got out before these new lows.

IGM Financial

Unless **IGM Financial Inc.** ([TSX:IGM](#)) embraces a low-cost investing model, I don't see how the company retains assets under management going forward.

IGM, the parent of powerhouse advisory firm Investors Group, was a terrific business to own over the last fifty years. Middle-class Canadians had plenty of disposable income to invest with a desire to save for their retirements. A long bull market also helped boost long-term results.

The market is much different in 2019. Exchange-traded funds offer the same kind of diversification as a mutual fund for approximately 5% of the cost, and the internet is filled with information on the virtues of low-cost investing. IGM is trying to combat this by shifting towards a focus on financial planning and higher net worth clients. The problem is most average Canadians don't really need financial planning advice outside of "save more" and the high net worth advisory market is incredibly competitive.

There are just too many forces acting against IGM Financial today.

New Look Vision

New Look Vision Group Inc. ([TSX:BCI](#)) operates vision stores across Canada. The company has 373 stores operating under four different banners, posting some impressive growth over the last few years as it has acquired different locations.

My bearishness on New Look has more to do with the eyeglass market in general. Technology has made it incredibly easy for the average Canadian to purchase their glasses online, often for a fraction of the price charged by physical stores.

My wife recently went through the experience and it was a breeze. Instead of getting \$400 from her for a set of frames, the local optometrist got a mere \$10 for some small adjustments, while her total cost including shipping was less than \$75.

Sure, companies like New Look will still make money on eye exams and other services, but making glasses has high gross margins that are being threatened by upstart competition. That's never a good place to be.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. [TSX:IGM](#) (IGM Financial Inc.)

2. TSX:OBE (Obsidian Energy)

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