



## Warning: 3 New Downgrades That Could Hurt Your TFSA in April

### Description

Hello, Fools. I'm here again to highlight three stocks that have been recently [downgraded by Bay Street](#). While we should never take analyst opinions as gospel, downgrades can often call our attention to hidden dangers — [particularly in a TFSA account](#), where it's easy to take risk for granted.

Without further ado, let's get to it.

### Chronic fatigue

Leading off our list is medical marijuana **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)), which **Canaccord Genuity** downgraded to "sell" from "hold" this past Wednesday. Along with the downgrade, Cannacord analyst Matt Bottomley maintained his price target of \$17, representing about 7% worth of downside from where it sits today.

Canaccord's call comes in the wake of Cronos's "fairly light" Q4 results. While Bottomley isn't too worried about Cronos's near-term results, he believes the valuation has gotten ahead of fundamentals.

"CRON currently trades at 91.7 times our 2020 EV/EBITDA, which is a significant premium to even the leading large-cap players in the space at 40 times with significantly higher recreational market shares and greater near-term revenue visibility versus Cronos," Bottomley wrote.

Even with the recent pullback, Cronos shares are still up about 160% over the past year.

### Bank shot

Next up we have **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)), which Veritas Investment Research downgraded to "sell" on Wednesday. Along with the downgrade, Veritas analyst Nigel D'Souza lowered his price target to \$95 (from \$102), representing about 5% worth of downside from today's prices.

D'Souza still likes BMO's operations both in Canada and the U.S. as well as its potential for improved

profitability but believes the valuation is now stretched considering looming industry risks. They include the possibility of an increase in credit losses, rising interest costs, and weak economic growth.

“Although we hold a favourable view of BMO’s underlying fundamentals, we note that its current valuation is above its historical premium relative to peers and expect shares to come under pressure as the sector multiple contracts over the coming quarters,” wrote D’Souza in a note to clients.

BMO shares are up about 13% in 2019.

## All bought out

Rounding out our list is investment manager **Gluskin Sheff + Associates** (TSX:GS), which Desjardins Securities downgraded to “hold” from “buy” early last week.

The downgrade comes after Gluskin entered into a definitive agreement to be acquired by Onex for \$14.25 per share, suggesting that the stock’s upside is pretty limited at this point. In fact, Desjardins analyst Gary Ho planted a price target of \$14.25 on Gluskin to reflect the deal.

“We would recommend holding the stock given (1) the deal price at \$14.25, (2) next quarterly dividend of 25 cents (to be declared in May), and (3) we would not rule out a possible competing bid,” said Ho.

Gluskin shares are up 38% so far in 2019.

## The bottom line

There you have it, Fools: three recently downgraded stocks worth investigating further.

As always, don’t view these downgrades as formal recommendations to cut loose. Instead, use them as a starting point for further research. The track record of professionals is notoriously mixed, so your own due diligence is still required.

Fool on.

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1. Investing

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1. Editor's Choice

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### Date

2025/07/22

### Date Created

2019/04/01

### Author

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