



Short Warning: 3 Stocks to Watch in April

Description

Short-sellers have had little to celebrate in the first three months of 2019. The S&P/TSX Composite index was up 13.9% in 2019 as of close on April 4. It was up 10.9% year over year.

Short-selling takes a great deal of patience, and there are still plenty of hopeful sharks watching the TSX in April. Today we are going to look at three of some of the most shorted stocks on the TSX. Should you avoid these stocks this spring? Let's find out.

Genworth MI Canada (TSX:MIC)

Genworth was down 7.8% month over month as of close on April 4. Shares were still in positive territory for 2019, but the stock has suffered steady losses since early February. The stock was up 1.1% from the prior year.

Genworth was one of the top five most shorted stocks on the TSX as of close on March 29. At that time, 12.8% of its outstanding shares were on loan. Short-sellers have reason to celebrate considering its performance over the past month. Genworth saw headwinds in the housing sector have a negative impact on earnings in 2018, but transactional premiums written still rose 3% to \$619 million.

The Canadian federal government is [making a push](#) to improve housing affordability and increase activity after a cooling period in 2017 and 2018. Genworth still offers an attractive quarterly dividend of \$0.51 per share, which represents a 5% yield. As of this writing, the stock had an RSI of 38, which puts it close to oversold territory.

Badger Daylighting (TSX:BAD)

Badger stock was up 30.9% in 2019 as of close on April 4. Shares had surged 72% from the prior year. Back in late October, I'd discussed Badger as it was one of the [most shorted stocks](#) on the TSX at the time. Badger has beaten back short-sellers with its stellar earnings reports, but will its high valuation catch up to it in the spring?

As of close on March 29, 10.3% of Badger's outstanding shares were on loan. The stock is trading at the high end of its 52-week range. Badger had an RSI of 71 as of close on April 4, which puts it in overbought territory. Earnings at Badger have been impressive, and I like the stock as a long-term growth pick. However, its high valuation and short interest means investors should be very cautious in early April.

Laurentian Bank ([TSX:LB](#))

Laurentian Bank stock was up 8.8% in 2019 as of close on April 4. Shares dropped sharply after its first-quarter earnings release, but the stock has still bounced back nicely from 52-week lows in late December. Adjusted net income plunged 29% year over year to \$44.7 million in Q1 2019.

As of close on March 29 Laurentian Bank was the most shorted stock on the TSX. The percentage of outstanding shares on loan stood at 29%. Laurentian has been a popular target for short-sellers after its stock was throttled due to a crisis involving its mortgage underwriting. The bank says that it has resolved the issue, but growth has noticeably slowed in recent quarters.

Currently, Laurentian Bank stock is hovering around the middle of its 52-week range. The stock had an RSI of 48 as of close on April 4. Poor earnings and a broader economy facing headwinds should concern investors. The stock does offer an attractive dividend yield of 6.2%, but even income investors should seek to add at a better value.

CATEGORY

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1. TSX:BDGI (Badger Infrastructure Solutions Ltd.)
2. TSX:LB (Laurentian Bank of Canada)

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