Warning: 4 Fresh Downgrades That Could Harm Your RRSP

Description

Hi there, Fools. I'm back to highlight a few stocks that have been recently downgraded by Bay Street. While it's good to take analyst opinions with a healthy dose of skepticism, downgrades can often call our attention to hidden risks — especially in a RRSP account where we need to build wealth safely.

So, without further ado, let's get to it.

Constructive criticism

Leading off our list are engineering- and construction-related stocks **Toromont Industries** (TSX:TIH) and **WSP Global** (TSX:WSP), which **National Bank** downgraded to "sector perform" from "outperform," respectively, on Tuesday. Along with the call, National Bank analyst Maxim Sytchev maintained his price target of $70 per share on Toromont and kept his target of $75 for WSP.

After a big rebound in both stocks — fueled by recent optimism surrounding U.S./China trade talks — Sytchev thinks it's time to step off the gas.

"At the high level, the positives are well impounded in market's expectations for both," said Sytchev. "As an aside, seasonality (on a long-term basis) is not kind to either WSP or TIH over the upcoming three months."

Toromont and WSP shares are up a solid 27% and 22%, respectively, so far in 2019.

Expired opportunity

Next up we have grocery store giant **Metro** (TSX:MRU), which Raymond James downgraded to "market perform" to "outperform" on Wednesday. Along with the downgrade, Raymond James analyst Kenric Tyghe maintained his price target of $51 per share, almost exactly where the stock sits today.

Tyghe doesn't expect Metro's Q2 earnings next week to top estimates, which, in his opinion, makes the current valuation a bit stretched. He also believes that Metro's recent purchase of Jean Coutu could distract from other key initiatives.

"We believe on current estimates, that not only is there a modest probability of any material positive earnings surprises through our forecast window, but also that there is a limited chance of further (material) multiple expansion from current levels," said Tyghe.

Metro shares are up 7% so far in 2019.

Cogent argument

Rounding out our list is **Cogeco Communications** (TSX:CCA), which Desjardins Securities downgraded to "hold" from "buy" on Thursday. Despite the downgrade, Desjardins analyst Maher Yaghi raised his price target to $96 (from $90), representing about 8% worth of upside from where the stock sits now.

Cogeco posted solid Q2 results earlier this week with improved subscriber trends, but after the stock's strong response, Yaghi believes the valuation isn't as attractive. Since upgrading Cogeco back in July, the stock has returned more than 20%.

"While fundamentally we believe CCA is walking a fine line between balancing profitability with subscriber loading and this is paying off with good profitability improvement, the stock's valuation has materially increased," said Yaghi. "Our downgrade reflects our view on the stock, not on the company or management."

Cogeco is up 35% so far in 2019.

The bottom line

There you have it, Fools: four recently downgraded stocks that you might want to check out.

As always, don't view these downgrades as a list of formal sell recommendations. Just use them as a jumping off point for more research. The track record of analysts is notoriously mixed, so plenty of your own homework is still required.

Fool on.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:MRU (Metro Inc.)
2. TSX:TIH (Toromont Industries Ltd.)

3. TSX:WSP (WSP Global)

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