



You've Been Warned: 3 New Stocks That Bay Street Just Downgraded

Description

Hi there, Fools. I'm back to highlight a few stocks that have been recently downgraded by Bay Street. While we should always take analyst opinions with a grain of salt, downgrades can often [call our attention to hidden risks](#).

Meanwhile, for [value investors](#), they can be an interesting source of contrarian buy ideas.

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

Quantum blip

Leading off our list is copper producer **First Quantum Minerals** ([TSX:FM](#)), which **Canaccord Genuity** analyst Dalton Baretto downgraded to "hold" from "buy" on Monday. Along with the downgrade, Baretto planted a price target of \$16 on the stock, almost exactly where it sits today.

Baretto's call is part of a larger defensive stance on industrial commodities. While he remains positive on the space, Baretto says that continued macro uncertainty coupled with positive share performance of late should give investors some pause — especially in the case of First Quantum, which has soared in recent months.

Specifically, Baretto suggests that investors look for "commodity diversification, cash flow generation, strong and flexible balance sheets, company-specific catalysts and attractive relative valuations."

First Quantum shares are up 44% in 2019.

Looking rusty

Next up is auto parts giant **Magna International** ([TSX:MG](#))([NYSE:MGA](#)), which CIBC World Markets analyst Kevin Chiang downgraded to "neutral" from "outperform" on Monday. Along with the downgrade, Chiang maintained his price target of US\$63, representing about 11% worth of upside

from where the stock sits now.

Chiang expects Canadian auto suppliers to benefit from a favourable environment in the second half of 2019, but thinks Magna's valuation is a bit stretched at this point.

"It has the least attractive risk/reward profile relative to the other two Canadian auto suppliers we cover," said Chiang. "As well, given the uncertain environment facing the auto sector, much of it related to headwinds in Europe and China, MGA's more global footprint makes it more exposed to these issues."

Magna shares are up 22% so far in 2019.

Chronically pricey

Rounding out our list is marijuana producer **Cronos Group** ([TSX:CRON](#))([NASDAQ:CRON](#)), which Merrill Lynch analyst Christopher Carey planted with an "underperform" rating on Wednesday. Along with the bearish call, Carey set a price target of \$17 on the stock, representing just 6% worth of upside from where it sits now.

Carey is actually bullish on Canadian cannabis stocks due to their growth potential in the U.S., giving "buy" ratings to **Canopy Growth**, **Aurora Cannabis**, and **HEXO**. But when it comes to Cronos, Carey just can't get comfortable with the valuation.

"For Cronos, we expect attractive long-term growth and margins, while also giving credit for the cash from Altria," said Carey. "Despite this, the stock still screens the most expensive in our coverage."

Cronos shares are up a whopping 49% so far in 2019.

The bottom line

There you have it, Fools: three 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

TICKERS GLOBAL

1. NASDAQ:CRON (Cronos Group)
2. NYSE:MGA (Magna International Inc.)
3. TSX:CRON (Cronos Group)
4. TSX:FM (First Quantum Minerals Ltd.)

5. TSX:MG (Magna International Inc.)

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