



## 2 Toxic Stocks to Avoid As Trade War Rages On

### Description

A few weeks ago, global markets were boosted by news that a resolution of the trade dispute between the U.S. and China was a done deal. However, instead of a friendly accord, a deadly brawl on tariffs is about to take place. America is set to increase the 10% tariffs on Chinese goods to 25% by the end of the week.

If the threat becomes real, then stock market investors should be alerted and advised to avoid certain stocks at all costs. With the fresh trouble on trade brewing, companies like **Spin Master Corp.** ( [TSX:TOY](#) ) and **WestJet Airlines Ltd.** (TSX:WJA) might not be good investment choices at this point.

### Fun stock no more

The unceremonious closure of Toys “R” Us was a deadly blow to the toy industry. Many assumed the worst and that the surviving toy companies including Spin Master would follow the same fate. But some believed it was an excellent opportunity to become one of the biggest toy makers in the world.

Fortunately, the premier Canadian children’s entertainment company is still standing. The management team should be commended for steering the ship well. The stock survived the nasty fall as well and ended 2018 less than \$2 below \$40. TOY had a strong showing in January and February, faltered in March then rose again in April.

On a year-to-date basis, TOY is up +18.0%, [a sign of resiliency](#). But there are visible red flags. Profit margin is 9.49%, which is subpar. Quarterly earnings growth and quarterly revenue growth are -43.1% and -6.0%, respectively. Last year could have been more profitable if not for China’s tariff, but it seems the same issue will hold TOY back.

### Grounded stock

There’s a lot of risks when you invest in WestJet Airlines in the present. The stock hasn’t been performing that well, although WJA is up +5.78% year-to-date. Net income from continuing operations

dropped -65.07% in 2018 versus 2017. But net earnings improved +33.4% in Q1 2019, which shows some positive direction.

The nearly 3.0% dividend yield is an attraction to some investors, and the prospects for next year aren't bleak. WJA's earnings are projected to rise by 93%. Without the pestering trade dispute, strong growth in earnings could lead to a bottom line of \$307 million by 2022.

WestJet's fleet of aircraft includes 115 Boeing 737 Next Generation aircraft and 11 Boeing MAX 737 aircraft. The U.S. manufacturer is under hot water with the recent crash of two 737 Max planes.

The Ethiopian Airlines crash killed 157 passengers, while the Lion Air flight killed 189 people. It is not certain whether WestJet would be affected by the fatal crashes or their Boeing planes would remain grounded due to [flight safety issues](#).

## Safer investments

Spin Master and WestJet Airlines are established companies with good management teams. However, the current nuisances in the sector they operate in are deal busters. There are safer stock investments that could endure the coming trade war.

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1. TSX:TOY (Spin Master)

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