Experts Warn: 3 Popular Stocks That Can Put Your Summer in a Shambles

Description

Hello again, Fools. I'm back to call your attention to three stocks recently downgraded on Bay Street. While we should always take professional opinions with a grain of salt, analyst downgrades can often call our attention to hidden risks.

And for bargain-hunting value investors, they can even be an interesting source of contrarian buy ideas.

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

Don't bank on it!

Leading off our list is financial services gorilla **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM), which Desjardins analyst Doug Young downgraded to "hold" from "buy" yesterday. Young also cut his price target to $118 per share (from $125), representing about 13% worth of upside form current levels.

Young's bearish call comes after CIBC's disappointing Q1 results: EPS clocked in at $2.97 versus the consensus of $2.98. The miss was small, but Young cited softness in CIBC's personal and small business banking segment as well weakness in key financial ratios to be concerned.

"Valuation remains compelling; however, absent any P/E multiple expansion (unlikely for the group), we fail to see a catalyst that would cause CM's stock to outperform," wrote Young in a note to investors.

CIBC shares are up 2% in 2019, offering a healthy dividend yield of 5.0%.

Losing luster

Next up on our list is gold royalty company **Franco-Nevada** (TSX:FNV)(NYSE:FNV), which was downgraded by RBC Capital Markets analyst Stephen Walker to "sector perform" from "outperform" on Wednesday. Walker maintained his price target of $117 per share, representing about 17% worth of upside from current prices.

Walker remains positive on Franco-Nevada as a low-risk play, but believes that the company is fairly valued at the moment. Specifically, the other mining royalty stocks under RBC's coverage have about 10% more upside than Franco-Nevada.

"Franco-Nevada shares appear fairly valued relative to royalty and streaming peers on multiple metrics, and the market appears to be pricing in some of the revenue growth from Cobre Panama," said Walker. "Franco-Nevada provides investors with low-risk precious metals exposure with growing mining and oil and gas revenues."

Franco-Nevada shares are up 3.5% in 2019.

Pumping the brakes (gently)

Rounding out our list is auto supply giant **Magna International** (TSX:MG)(NYSE:MGA), which Citi analyst Itay Michaeli cut its price target on from US$66 to US$61. On the positive side, Michaeli did maintain his "buy" rating on the company.

While Michaeli remains bullish on Magna's free cash flow potential, the company's latest guidance suggests that management is dealing with several operating issues. Michaeli still thinks the risk/reward trade-off is attractive, but cautions that Magna's earnings could feel some near-term pressure.

"Magna became the latest auto supplier to encounter launch/validation cost issues in the post-RFQ [request for quotation]/pre-production phase," wrote Michaeli. "The bad news is that we don't view consensus EPS as necessarily being de-risked for additional macro/operational hiccups."

Magna shares are down 5% in 2019 and offer a yield of 2.6%.

The bottom line

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

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

Fool on.

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3. NYSE:MGA (Magna International Inc.)

4. TSX:CM (Canadian Imperial Bank of Commerce)
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