2 Stocks I Wouldn't Touch With a 365-Foot Barge Pole!

Description

As someone wise once said, there exists some price where every stock, even the crummiest ones, becomes a buy. Unless you have a firm understanding of a business, however, it's usually not a bad idea to shun a particular class of companies within industries that are in secular decline.

Not only is it tough to break such a multi-year secular downtrend, but sometimes it's entirely out of the companies' control; they just found themselves at the wrong place at the wrong time. Companies go under all the time, and as technological disruption continues working its way into traditional non-tech industries, there will be many more firms that could stand to decline in price in spite any improvements at the company-specific level.

This piece will look into two firms that found themselves on the wrong side of a secular trend, and as the years go by, I suspect their shares will struggle to stop falling by default. As such, I'm shunning the stocks of these companies, and you likely should too, unless you've got the conviction that you're paying a market price that's below the company's intrinsic value.

IGM Financial

First up, we have **IGM Financial** (TSX:IGM), a non-bank wealth manager that's slated to feel continued pressure as Canadian investors gravitate away from actively managed mutual funds towards passive instruments, or DIY investing — a trend that I believe will continue over time, as more options become available for new Canadian investors.

While IGM has done a top-notch job reinventing itself with its IG Wealth Management banner, which is aimed at higher-net-worth individuals, I think IGM will be at a considerable disadvantage relative to bank wealth managers that have direct access to tonnes of clients and don't have the need to spend exorbitant amounts of money on advertisements.

Although I'm a fan of management's efforts to relieve the pressure, I believe it will be out of their hands, as margins erode due to the trend of investors demanding more bang for their buck.

Cineplex

Up next, we have **Cineplex** (TSX:CGX), a movie theatre operator that had a fall from grace, which I'd called many times before the implosion in shares. Video streamers are becoming more abundant, they're growing their roster of original content, and they'll likely become cheaper in response to rising competition.

If you've got 20 films on your to-watch list on **Netflix**, you're probably not going to want to head out to a movie to pay $30 for greasy popcorn and sodas just to watch a random movie that you haven't been dying to see all year.

While blockbuster hits will still happen, they'll be fewer and farther between and far less predictable. Unless there's a bit of **Disney** magic sprinkled in, forecasting the performance of a box office film is becoming like a crap-shoot, and that's not good news for Cineplex stock, which is still feeling the pains at the box office.

Fortunately, Cineplex has a long-term plan to diversify away from the box office segment, but that's a process that could take many years. So, unless you're a short-term trader with a knack for forecasting box office success rates, I'd recommend enjoying the horror movie from the sidelines.

Stay hungry. Stay Foolish.

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