



3 Top Stocks to Sell in August

Description

Sometimes, the best way to invest is to avoid losing money.

I spend a lot of time trying to convince investors to buy high-quality companies, the kinds of stocks that will be leaders for decades to come. But some folks just can't resist deep-value investing. They look to catch a falling knife, convinced a cheap stock will suddenly turn around.

Sure, unloved stocks do sometimes bounce back. But they often don't. They usually either fall further or remain in a sort of purgatory for years. They'll continue to tread water, not really doing much of anything.

These types of stocks are a real hindrance to your portfolio. You want stocks that are going up — not ones grinding slowly lower. The opportunity cost of missing out on winners is often understated, but it's huge.

Here are three of those kinds of stocks, companies I'd be looking to sell sometime in August if they were in my portfolio.

SNC-Lavalin

The news just keeps getting worse for **SNC-Lavalin Group** (TSX:SNC).

The stock cratered back on July 22, falling nearly 10% on news its second-quarter earnings would be disappointing. The company then released those earnings on Thursday, and the stock fell another 9%. Adjusted earnings fell from a profit of \$155 million last year to a loss of \$234 million this year.

The good news is, much of the loss was the result of some lump-sum turnkey projects going poorly, a business the company is exiting. And SNC is having success with its cost-cutting program. Finally, it's raising cash by selling a big stake in Highway 407, which is the company's crown jewel. This will shore up the balance sheet.

Still, there's too much [uncertainty surrounding the name](#) to own the stock today, at least in this analyst's opinion. Remember, the big scandal that made headlines months ago is nowhere close to being settled. Imagine how much the stock would tank if the company couldn't bid on government contracts for a decade? Yes, that's a very possible outcome.

Bombardier

Speaking of Quebec-based companies with a history of disappointing investors, up next is **Bombardier** ([TSX:BBD.B](#)), a company struggling with a heavy debt load amid strong competition.

I like that Bombardier is working towards exiting the airplane business. It's a crummy business that requires huge capital investment without much payoff. There's also competition that consistently does a much better job.

The train business is better — at least it's consistently profitable — but margins are tight, and there isn't much of a moat. Cities don't care who provides them with subway cars; a budget-conscious municipality will always go with the low bidder.

Bombardier also recently came out with tepid earnings, with investors really disappointed with the company's updated 2019 guidance. Free cash flow, which was expected to be in the neighborhood of US\$250 million, will now be negative US\$500 million. Transportation margins were also expected to be in the 8% range. That number has been revised down to 5%.

In short, Bombardier continues to disappoint. Investors should [sell this stock immediately](#) and never look back.

Rocky Mountain Dealerships

Despite being a big bull on the future of Canadian agriculture, I'm beginning to think investors should avoid **Rocky Mountain Dealerships** (TSX:RME), the largest chain of farm machinery dealers in Canada.

The company is feeling the brunt of agricultural trade wars with several nations. China is no longer buying Canadian canola or pork. India has increased tariffs on Canadian lentils. And Saudi Arabia still isn't buying Canadian wheat or barley after last year's tensions.

Those uncertainties translated into some abysmal second-quarter earnings. Sales fell an eye-popping 35.7%. The company did squeak out a small profit, but earnings were down 87.6% versus the same quarter last year. Management also withdrew the company's long-term growth plan.

I'd expect Rocky Mountain to take a critical look at its dividend in the upcoming weeks — a 6.8% yield it can't afford right now. If the payout gets cut, shares could crater even further.

CATEGORY

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1. TSX:ATRL (SNC-Lavalin Group)
2. TSX:BBD.B (Bombardier)

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