2 Stocks I'd Avoid Today

Description

Falling stock prices can sometimes entice investors to buy the shares at a reduced price, but that can sometimes be a dangerous idea. Whether you're looking at 52-week lows, support lines, or some other metrics, those items can all move lower. There's no rule that if the stocks reach a certain price that they'll recover.

That's why bottom fishing can be a very expensive strategy for investors. A stock that has been falling in value rapidly has been doing so for a reason, and it's important to understand why. Regardless of what a chart or multiple tells you, it's important to do your own due diligence to ensure that you're making a sound investment decision.

Below are examples of two stocks that have dropped significantly in value over the past few years, and that I'd still avoid buying today.

Baytex Energy (TSX:BTE)(NYSE:BTE) has declined by more than 20% since the start of the year, but the sad reality is that doesn't compare to the astronomical 95% loss the stock has been on over the past five years.

That's a colossal crash and underscores just how badly some oil and gas stocks have done during the downturn. The good news for investors is that the company has been increasing its sales in recent years, as the industry has attempted to make whatever recovery it can.

The bad news, however, is that Baytex incurred a loss in three of the past four years. And although it has been able to generate some positive net income during the last two quarters, over the trailing 12 months, Baytex has incurred a net loss of more than $113 million.

That's a significant loss, and one that's hard to ignore, especially in an industry as fragile as oil and gas is right now. Unless you've got a big risk tolerance, this stock may not be a good fit for you.

Bombardier (TSX:BBD.B) offered investors a painful reminder last quarter when it went back into the red as to why it's still a risky stock to buy, even at a low price point.

While there is certainly the potential for the stock to double, perhaps even triple in value, there's also no guarantee that it won't fall to below the $1 mark either. The stock has become a speculative buy at best, and that makes it not suitable for many risk-averse investors.

With the company running into many issues over the years relating to its performance, it's hard to justify the business itself as a good investment. There are better returns that can be made out there and at much less risk as well, making it difficult to justify Bombardier being anything but a hard sell today.

Like Baytex, Bombardier has taken some significant hits to its valuation over the past five years. While not quite in the +90% range, it has still lost around 45% of its value during that time, and I wouldn't be surprised for those losses to get deeper in the coming months, as there's simply not much of a reason to invest in Bombardier today.

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1. Energy Stocks
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1. Editor's Choice

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1. TSX:BBD.B (Bombardier)
2. TSX:BTE (Baytex Energy Corp.)

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