



The Year's Worst-Performing Stocks

Description

This past weekend, we took a look at the year's [best-performing stocks](#). Today, we take a look at those that underperformed in a big way. Will any of these stocks rebound in 2020 or is investing in these laggards akin to catching a falling knife?

For today's list, we are limiting our screen to those which had a market cap of at least \$500 million to start the year.

The worst-performing small cap

If you have been following the cannabis sector in any way, you would not be surprised that one of this year's biggest losers is a pot stock. It also won't surprise you that **CannTrust Holdings** (TSX:TRST)(NYSE:CTST) is the industry's biggest disappointment. Once one of the most respected brands in the industry, CannTrust was caught with illegal growing operations.

Along with several other missteps along the way, CannTrust had its production and sales licences revoked by the government. The end result is a significant fall from grace for a once promising cannabis upstart.

In late November, the company also announced that its listings are [currently under review](#) by the TSX and the NYSE. As of today, it is mired in a series of lawsuits and its share price has cratered, losing 83% of its value. There is little-to-no upside for CannTrust at this point, and investors should stay clear.

The worst-performing large cap

A series of scandals is also responsible for the downfall of **SNC Lavalin** (TSX:SNC). The company has been reeling from the fraud and corruption charges that made national headlines early in the year, when it was made known that the Trudeau government attempted to pressure the attorney general into striking a deal. It has been downhill ever since.

The hit to its reputation has forced SNC Lavalin to exit several high-growth geographical areas. It has also since announced that it is exiting the lump-sum turnkey contracting business amid several operational and financial setbacks. Management claims to have lost out on billions in contracts as a result of its poor reputation.

Is there any good news? SNC Lavalin appointed interim chief Ian Edwards as its CEO in late October, a move that was welcomed by the market. Despite losing 49% of its value in 2019, it has since rebounded off its lows. It also has a strong backlog of projects that should help the company move forward.

That is not to say the worst is behind it. It is still the target of multiple lawsuits, and the fraud and corruption trial could begin this coming year. At this point, SNC Lavalin provides investors with a high risk-to-reward opportunity.

The worst-performing big bank

Since SNC Lavalin was also the worst performing Dividend Aristocrat, I decided to focus on the worst performing big bank. I've written about this before, but there is a simple investing strategy that investors can use with Canada's Big Five banks. A back-tested strategy has shown that buying the worst-performing Big Five bank of the year results in outperformance in the year following.

Last year, the **Bank of Nova Scotia** and the **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) were the worst-performing banks. This year, the Bank of Nova Scotia is among the best-performing, while CIBC remains an industry laggard.

Unfortunately, I don't see this back-tested strategy being a successful one this coming year. Although it has the highest yield, CIBC isn't as diverse as its peers. As such, it has the lowest expected growth rates (low single digits) and analysts don't seem particularly impressed. There are several "sell" ratings and they have a one-year price target of \$112 per share. This implies 2% to 3% upside, which should once again rank it among the worst-performing of the Big Banks.

CATEGORY

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2. Cannabis Stocks
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2. TSX:ATRL (SNC-Lavalin Group)
3. TSX:CM (Canadian Imperial Bank of Commerce)

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