2 Canadian Stocks I’d Look to Sell Today

Description

If you didn’t panic amid the coronavirus crash and continued buying incrementally on the way down, you likely did well, regardless of which name you ended up buying on the dip. With the broader markets inches closer to pre-pandemic heights by the day, now may be a good time to take a bit of profit off the table with some of your frothier holdings.

Bargains were abundant just a few months ago. But after a nice relief rally, you may wish to sell the following names that I believe are at greatest risk of surrendering a chunk of the recent relief gains. Without further ado, here are three at-risk names that I’d look to sell, regardless of where you think the broader markets are headed next.

Magna International

Magna International (TSX:MG)(NYSE:MGA) is an auto part maker with a stock that’s up nearly 70% from its March 23rd lows. The rally was furious and is showing no signs of stopping. But before you look to ride on the momentum back to 52-week highs, you may want to consider the recessionary environment that lies ahead.

The massive rally suggests that a steep long-lived recession is off the table and that auto demand won’t take an enormous hit amid the unprecedented rise in unemployment across Canada and the U.S.

Sure, a majority of people would rather ride in their own car rather than take public transit or a ride-hailing service during this pandemic to avoid contracting the deadly COVID-19. But I’m also in the belief that the autos will suffer from a massive “hangover” in the post-pandemic environment when consumer finances become tight.

We’ll likely be propelled into a nasty recession, and auto ownership, I believe, could plummet once it comes time for people to tighten the belt. Magna may be a well-run firm, but it’s still at the mercy of the exogenous environment, which could end up looking pretty ugly if this coronavirus recession ends up being far worse than most are thinking.

The stock trades at 1.23 times book and is much higher than I'd be willing to pay for a discretionary firm heading into an economic downturn.

Cineplex

Cineplex (TSX:CGX) is in a pretty bad spot right now. The company got caught between a rock and a hard place amid the rise of video streamers and the coronavirus crisis. The video streaming wars are going to act as a secular headwind for Cineplex, while coronavirus-induced lockdowns will threaten the long-term livelihood of the iconic Canadian movie theatre company.

Revenues have been a flop of late. And although many self-isolating Canadians are itching to go to the movies with friends again, it may not be possible for years given social distancing is virtually impossible given densely packed seating arrangements.

Moreover, Cineplex sports a meagre liquidity and solvency position such that if a coronavirus vaccine doesn't come soon, the company could find itself on the brink. The company sports a 0.3 quick ratio, a 0.43 current ratio, with a staggering $2 billion worth of debt weighing down the balance sheet.

It would be a real shame if Cineplex were to go under. The entertainment company stands to enrich the lives of many Canadians seeking great experiences. Regardless, Cineplex remains a speculative bet that's too risky given the potential rewards and the long road to recovery.

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2. TSX:CGX (Cineplex Inc.)
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