2 Stocks I Wouldn't Want to Hold If the Market Crashes Again

Description

The coronavirus is starting to grip the broader markets again, with cases surging across various parts of the U.S. amid an economic reopening. While it's too early to tell whether the gradual reopening of the economy has failed, investors should not rule out the possibility of a reopening rollback over the coming weeks and months should the data become worse than expected.

Add meagre earnings that'll be rolling in over the next few quarters and you've got the perfect formula for yet another market crash.

Unlike the February-March meltdown, however, the U.S. Federal Reserve is likely to step in at any time with new tools (such as negative interest rates) to combat pressure on the stock market. As such, it's unwise for investors to try to time this market because the deviation between stocks and the economy will probably remain wide through the duration of this pandemic.

Moreover, nobody knows what the endgame will be with this pandemic. Some stocks could stand to crumble like a paper bag, while others could be on their way to make new all-time highs. This piece will have a look at two stocks that I believe could be at risk of facing substantial downside come the next coronavirus-induced market crash.

IGM Financial

IGM Financial (TSX:IGM) is one of Canada's top non-bank wealth and asset managers. The company has made a great deal off the sale of actively managed mutual funds in the past, but as low-cost do-it-yourself (DIY) investing continues to pick up traction with younger investors, non-bank wealth managers like IGM is due to see some pressure on its margins.

Although the company has done a good job of narrowing its focus (with high net worth clients) and adapting with the times to keep up with the appetite for low cost passive investments, I view the company as being on the wrong side of a secular trend and believe that profitability headwinds could last well after this pandemic is over.

For the first quarter, assets under management (AUM) fell 8.1% year over year and 11.6% sequentially. As coronavirus pressures continue to weigh, AUM numbers could plunge further, and the bountiful dividend (currently yielding 7%) could begin to fall under a bit of pressure.

For now, the payout looks relatively safe, but this could change as near- and long-term profitability headwinds continue to work their course.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) took a brunt of the damage amid the coronavirus crash, as the oil prices fell off a cliff thanks to the coronavirus-induced demand shock. While oil prices have recovered meaningful ground since those April depths, investors would be wise to take some profits off of a name like CNQ if they think that coronavirus news is going to spark a second market crash.

In due time, Canadian Natural will be back to generating ample amounts of cash flow. But with pipeline projects delayed and the possibility of worsening commodity price conditions as a result of the coronavirus, one shouldn't rule out a possibility where Canadian Natural, similar to many of its peers, looks to take its dividend to the chopping block.

The dividend is well covered and currently yields 7.3%. While the financials suggest that the payout is safe, I wouldn't be so sure given *anything* is possible with energy prices in this ridiculously unpredictable energy environment.

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1. Dividend Stocks
2. Energy Stocks

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2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:IGM (IGM Financial Inc.)

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