Market Crash 2020: 3 Stocks to Avoid Like the Plague

Description

Warren Buffett advocates for a value investing strategy. Value investors target companies that boast strong fundamentals but whose stocks are undervalued. Earlier this month, I'd discussed whether high valuations and a shaky economy meant a market crash was imminent. Moreover, I'd also looked at dividend stocks that were perfect for a defensive portfolio.

Today, I want to look at three stocks that you should avoid in late July. Some of these companies were struggling before the COVID-19 pandemic. Now, the three below are facing massive challenges.

Market crash: This retailer will struggle to survive this decade

Retailers have been a dicey proposition over the past decade, which means they are even more dangerous in a market crash. **Indigo Books & Music** (TSX:IDG) operates as a book, gift, and specialty toy retailer in Canada and the United States. Its shares have dropped 73% in 2020 as of close on July 22. The company released its fiscal 2020 full-year results on June 23.

Revenue fell to $957.7 million compared to $1.04 billion in the prior year. Total comparable sales fell by 7.9%, which included both retail and online sales. The decline in revenue was primarily due to complications caused by the COVID-19 pandemic. Indigo has attempted to reinvigorate its business model, as it faces challenges in the digital space, particularly from **Amazon**.

Indigo still possesses a strong balance sheet. However, this is not a stock I'm willing to gamble on, especially if the threat of a market crash arises.

Cineplex is in the fight of its life

Cineplex (TSX:CGX) was forced to halt its operations in the middle of March. Revenue and theatre attendance fell sharply to close out the first quarter, and the second quarter will undoubtedly sufferfrom the lack of activity. The company has pleaded with Ontario leadership to loosen restrictions sothat it can resume operations. However, it is unclear if this plea will be accommodated.

Besides its operations in Canada, the theatre industry at large is in crisis. Major studios are losing hundreds of millions. Moreover, debates have erupted over the timing of big releases. If North American theatres are unable to move forward at full capacity, studios will want to delay their film. This will create a vicious cycle of lost revenue.

Shares of Cineplex are close to a 52-week low. There's too much uncertainty to snag Cineplex, as it has still not recovered from the previous market crash.

Why Roots is the last stock you want to own in a market crash

Roots has been a major disappointment since its IPO back in late 2017. There was a flash of hope in the previous year, but this has been dashed by middling results and this damaging pandemic. However, Roots did manage to offset some of its sales decline in Q1 2020 with cost-reduction measures. Consumer spending has started to recover, but Roots does not carry the upside that I'd want to see in a risky clothing stock right now. I'm staying away from this stock in a market crash or otherwise.

CATEGORY

1. Coronavirus
2. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)
2. TSX:IDG (Indigo Books & Music)

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