



## Market Crash 2020: 3 Stocks I Wouldn't Touch With a Barge Pole

### Description

Could the [market crash](#) in the second half as it did in the first? Anything is possible. So, it's probably not a good idea to chase the red-hot winners here because there's a chance that you could be late to the party. And with that, you could be left on your own, holding the bag.

This piece will have a look at three **TSX** stocks that I think could face a very drastic reversal in momentum if the stock markets were to enter correction territory over the coming months, potentially over a second COVID-19 wave (if we're not already in it).

While I may be fans of the following firm's business models, I'm not at all a fan of the valuation to be had at current levels. As such, I'd urge investors to ask themselves if it's still worthwhile to pay premium multiples at these heights, given the risks that are still plaguing this economy.

Without further ado, consider the following three stocks that I wouldn't [personally](#) touch with a barge pole at today's market crossroads:

### Magna International: A stock to avoid if you think there's a second market crash coming

**Magna International** ([TSX:MG](#))([NYSE:MGA](#)) is a Canadian auto-part supplier with a stock that's running way too hot, with shares now up over 80% from those March lows. While Magna may be very good at what it does, it's still a highly discretionary company that could suffer pronounced downside in a cyclical downturn.

Is peak auto behind us? I don't think so. Once it ends and the coronavirus recession sets in, I worry at the downside risks for a name as cyclical as Magna. **Moody's** recently downgraded the debt of global automakers amid the decreased demand for autos. They see light vehicle sales falling 20% in 2020 and notes that it could take several years for it to return to 2019 levels.

Magna could be at high risk of surrendering the significant gains it posted over the last few months.

The stock may seem cheap at 1.4 times book, but it could get cheaper, and a bear-case scenario could see shares trading at a discount to book value. While Magna isn't in dire financial shape (it has a decent liquidity position), I still wouldn't touch shares given where we're at in the market cycle.

## NFI Group: More pain ahead if the market crashes again

**NFI Group** ([TSX:NFI](#)) is another discretionary that's lost its way. Unlike Magna, NFI's stock chart has been falling off several steep steps well before the pandemic rocked the global economy and caused markets to crash. NFI is a bus maker that suffered from its fair share of operational hiccups and tempered demand. The COVID-19 crisis has just served as salt in the wounds of an already ailing company.

With shares down around 75% from its all-time highs, NFI is also a seemingly cheap stock that I view as more of a value trap given the downside risks in a bear-case scenario. The stock trades at book value and 0.24 times sales, and while shares could rocket higher in a turnaround, I'd say that years' worth of pain could be in the cards before such a rebound. As such, I'd avoid the "cheap" stock until NFI can demonstrate more evidence that it's returned to the right track.

## CIBC: Number Five of the Big Five

Finally, we have Canadian bank **CIBC** ([TSX:CM](#))([NYSE:CM](#)), which has sported some of the weakest profitability numbers relative to its peer group. The macro picture is terrible for the Canadian banks. While CIBC doesn't have a lousy capital ratio amid rising provisions, I'm still not a fan of the bank at these valuations, given its unique set of risks.

A Canadian housing meltdown would be a disaster for CIBC. And if this pandemic were to spread into the housing scene, shares of CIBC could easily collapse further as the market crashes again.

While CIBC is a cheap stock, at 1.1 times book value, it's not the cheapest of the Big Six, and that's why I don't think it has a wide margin of safety relative to its bigger brothers.

The 6.3% yield is compelling, but I'd much rather go for any one of CIBC's peers, some of which have similarly-sized yields right now.

### CATEGORY

1. Coronavirus
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### TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:MGA (Magna International Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:MG (Magna International Inc.)
5. TSX:NFI (NFI Group)

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