



Stock Market Crash: 2 Contrarian Stocks to Avoid

Description

A stock market crash is coming. The probability of a second wave of the coronavirus is making it seem more and more likely. This morning, markets are falling, and investors are feeling the tension.

A resurgence of the coronavirus and the rising possibility of more lockdowns has me thinking of two contrarian stocks. **Cineplex** ([TSX:CGX](#)) stock and **Air Canada** ([TSX:AC](#)) stock are two of the biggest contrarian stocks around today.

I'm interested in buying stocks that have no "investor sentiment" premium. I'm even more interested in buying stocks that have an "investor sentiment" discount. These are often great ways to make big money.

But sometimes the discount is warranted. Sometimes a stock is a contrarian stock for a good reason. And in these cases, we should steer clear.

Can a stock market crash take Air Canada stock below \$10?

After months of big losses, Air Canada is in an increasingly vulnerable position. The longer this crisis goes on, the deeper Air Canada will sink into a pit of despair. This is a fact, although the airliner has done a commendable job in managing what it has control over. Simply too much is out of Air Canada's control. The airliner is a victim of its environment.

With no real hope or visibility into the future, Air Canada stock is [more like a gamble than an investment](#). I don't want to gamble with my hard-earned money. So, I will continue to pass on this stock. Costs are rising, demand has been decimated, and Air Canada is bleeding significant amounts of money every day. It is therefore a real possibility that the next stock market crash takes Air Canada stock below \$10.

Clearly, I think [the downside risk remains extremely high](#). And I think that the risk/reward relationship for Air Canada stock is not a favourable one. It is a contrarian stock for a good reason.

Can Cineplex stock weather a stock market crash?

Cineplex stock is another contrarian stock that has taken a beating. Demand has also plummeted, and this has sent Cineplex's revenues on a nosedive. The stock is trading at approximately \$7.50 at the time of writing. And with escalating coronavirus cases and the real potential for more lockdowns, the future is shaky.

There is value in Cineplex stock today. There is the real estate, the franchise, and the potential for its online business to blossom. But Cineplex's sizeable debt balance means that time is not on its side. Movie-goers are not returning to the movie theatre, as the virus is still a major cause for concern. In the meantime, this contrarian stock probably still has big downside.

Foolish bottom line

Cineplex and Air Canada stock are both facing very serious challenges — the kind of challenges that threaten their very survival. Investing in either of these contrarian stocks today would be a very risky move. An upcoming market crash will hit these stocks the hardest.

Contrarian investors want to participate in the potentially big upside that these stocks would provide in a best-case scenario. For those investors, I have a bit of advice. Think about waiting for more concrete signs of a recovery before taking the plunge. You may miss out on some of the upside, but you would also protect yourself from big downside and losses.

CATEGORY

1. Coronavirus
2. Investing

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2. TSX:CGX (Cineplex Inc.)

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