



Short Squeeze: Don't Bet Against These Heavily-Shorted Canadian Stocks!

Description

Just when you think a company's [demise](#) is a sure thing and it's "safe" enough to justify going short a company, it can come roaring back without a moment's notice. A [short-squeezing melt-up](#) doesn't even need a fundamental reason either, making selling short any stock a dangerous proposition that could lead to more than just the loss of one's shirt.

The WallStreetBets (WSB) short-squeezing phenomenon is nothing short of unprecedented. Short-selling hedge funds that targeted such names as GameStop are now licking their wounds. With the number of people at the WSB forum surging in size, it would be a bad idea to underestimate the group's firepower that could become vastly more influential to a stock than any big-league hedge fund.

While there's no telling which stocks will be next on WSB's list, I don't think any heavily-short stock is safe for shorting, not even the **TSX Index** exclusives that our friends south of the border may have difficulty accessing. Ailing movie theatre giant **Cineplex** ([TSX:CGX](#)) and the Canadian equivalent of **AMC Entertainment**, a stock that shot up over 300% in a single day, could be a future target should the folks at WSB wander into the Canadian stock market.

It's not just Cineplex that bearish investors should resist the temptation to short or purchase put options on, though. Legendary holding company and insurer **Fairfax Financial Holdings** ([TSX:FFH](#)) and premier Canadian bank **TD Bank** ([TSX:TD](#))([NYSE:TD](#)) have been up against the shorts. And if the WSB phenomenon takes it to the next level? I think either stock could put short-sellers at risk of steep losses, as they run for the hills in search of cover (forgive the pun!).

Moreover, both Fairfax, run by investment legend Prem Watsa (Canada's version of Warren Buffett) and TD Bank, Canada's most American bank, are magnificent businesses that could surge once the economy sustainably reopens in the latter half.

Never bet against Canada's Warren Buffett

Prem Watsa is in a slump. There's no doubt about that. The man has been known to make bold and aggressive bets that haven't always worked out for the better. Fairfax surged during the Financial

Crisis due to some genius bets made by Watsa. Still, the stock has also suffered from prolonged periods of underperformance versus the indices thanks to hedges and bets that didn't work out.

In any case, Fairfax stock is a name that's likely to zig when the markets zag and vice-versa, providing investors with a means of lowering their portfolio's correlation. Moreover, with the low price of admission on the stock, it's cheap to bet on a Fairfax comeback, which, I believe, is realistic, as pandemic headwinds begin to fade.

Fairfax stock is dirt-cheap and to bet against FFH stock is to bet against a legendary investor that could be ready to make up for lost time in 2021 and beyond.

A top Canadian bank overdue for a short squeeze

TD Bank is one of Canada's least-loved bank stocks right now, as demonstrated by the number of shorts. With the improving macro backdrop, I think it's unwise to continue to bet against the stock, especially given the firm's reputation as a premier retail banking player, which, I believe, is being severely discounted by investors.

The stock has a solid yield and will be right back to growing its earnings again once the pandemic ends. With a valuation that's in-line with what I believe are its less-stellar peers, I'd look to buy the stock here and now. Although the big bank is less likely to be moved by the likes of a group of short squeezers like those at WallStreetBets, I do think that the threat of such a squeeze on a large-cap name will stand to increase over time, as WSB's firepower and influence continue to increase over the coming weeks and months.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:CGX (Cineplex Inc.)
3. TSX:FFH (Fairfax Financial Holdings Limited)
4. TSX:TD (The Toronto-Dominion Bank)

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