



3 TSX Stocks Crashed in the November Dip: Should You Buy or Sell?

Description

The stock market dipped in November over uncertainty around the new Omicron variant. The bearishness continued in December. However, the stock market is trying to pick momentum as the holiday season picks up. Between the bear market and Santa Claus rally, investors are confused about three stocks that took the biggest hit:

- **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#))
- **Air Canada** ([TSX:AC](#))
- **Cineplex** ([TSX:CGX](#))

The three stocks crashed in November. The first stock crashed for [company-specific reasons](#), and the other two crashed due to the pandemic. All those who purchased these stocks in the March rally, when the market recovered from the second wave, are at a 17-33% loss. The loss is creating anxiety among investors holding on to these stocks.

What strategy should you use to recoup losses?

All three stocks have a 50:50 probability of a dip or a jump. There are three ways you can mitigate your loss:

- Sell the stock and book a loss. You can invest the money elsewhere and recoup the loss.
- Continue to hold with the hope of a rebound.
- Buy more shares at the dip and reduce your average cost.

In April 2016, [Warren Buffett](#) sold US\$6 billion worth of airline stocks without hesitation as the pandemic changed his original analysis of the airline industry. This was a hard choice, but he had learned from his mistakes that holding on to a sinking ship brings no returns. Instead, you can put that money in a better stock and recover what was lost. I will walk you through my analysis of the above three stocks and what could be the next course of action.

Lightspeed stock

Lightspeed has lost 63% of its value since short-seller Spruce Point Capital Management released a [report](#) alleging flawed performance metrics. The stock was already overvalued, trading at 70 times its sales per share. This overvaluation came as the pandemic shifted investors' attention to e-commerce. The report alleges that Lightspeed inflated its customer count before the initial public offering. It also talked about the costly acquisitions and how Lightspeed's revenue numbers didn't drop during the pandemic, but neither did **Shopify's**.

While there is truth in the report, it doesn't completely deny the fact that Lightspeed has growth potential. The report did not change the original analysis that the omnichannel platform is seeing growing acceptance among retailers and restaurants worldwide.

However, the original bullishness on Lightspeed was its ability to maintain its 50% revenue-growth rate and scale geographically. This still holds. Hence, this is a stock worth holding on to or buying the dip. However, I would suggest not buying more, as the firm is facing a class-action lawsuit that is pulling out investors. The stock is already oversold, but the lawsuit can pull it down further.

Air Canada and Cineplex stock

However, the original analysis has changed in the case of Air Canada and Cineplex. The two were already operating on a wafer-thin margin. The pandemic has altered their business ecosystem altogether.

The original analysis that pushed Air Canada stock up was that the pent-up demand for air travel will drive recovery, and the airline might not need to use the bailout money. However, the signs of another pandemic wave are fading these assumptions and pushing the stock to the bear case.

As for Cineplex, many production houses are releasing movies on over-the-top (OTT) platforms. This is reducing the charm of going to cinema halls again. Yet Cineplex managed to get footfall thanks to pent-up demand. But another wave could add to losses and delay the recovery.

Plan of action

Air Canada and Cineplex stocks are down 26% and 17.5%, respectively, from the March 15th high. Wait till December 25. If the stocks improve to \$24 and \$13, sell them and book a loss of 24% and 11%, respectively. Invest this money in pipeline or oil stocks, as they have a double-digit upside in an economic recovery. You can lock in a high dividend yield in the December dip and recoup the losses from the winter season rally.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. TSX:AC (Air Canada)
3. TSX:CGX (Cineplex Inc.)
4. TSX:LSPD (Lightspeed Commerce)

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Date

2025/07/19

Date Created

2021/12/10

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