
Proceed With Caution When Considering These 3 Ultra-Popular Stocks

### Description

Canadian investors, especially beginners, must understand that stock investing isn't a popularity contest. Some names might be more popular than others but it doesn't follow that returns would be higher too. The market is full of surprises in that investors' sentiment constantly changes depending on the market environment or circumstance.



**Air Canada** (TSX:AC), **Shopify** (TSX:SHOP)(NYSE:SHOP), and **Rogers Communications** ( TSX:RCI.B)(NYSE:RCI) are among the ultra-popular stocks on the **TSX**. However, if you're looking to invest in any of the companies, exercise caution. All three are in negative territory year to date and popularity alone won't help the stocks recover from the slump.

## No easy recovery

Canada's flagship carrier had 27 consecutive quarters of profits before the global pandemic arrived more than two years ago. Air Canada hasn't reported income since Q1 2020. While operating revenues in Q2 2022 increased 375.6% to $3.9 billion versus Q2 2021, management reported a net loss of $386 million to extend the losing streak to 10 quarters.

Performance-wise, the airline stock ($16.60 per share) is down 21.4% year to date. Michael Rousseau, Air Canada's President and CEO, said, "The path to recovery from any serious event is rarely straight and easy." He adds, "Despite meticulous planning and projecting, participants involved in the air transport system are facing significant pressure in restarting."

As things stand right now in the aviation industry, Air Canada remains a risky proposition until it's business as usual.

## Dwindling investors

Shopify, the face of TSX's technology sector, is in the dumps with its year-to-date loss of 78.7% ($37.19 per share). For the first time in four years, the tech superstar failed to make it to the 2022

TSX30 List, the flagship program for growth stocks. The $46.7 billion commerce company had a massive following until the freefall began in mid-February this year.

A sell-off ensued when management announced lower revenue growth in 2022 due to shifting market conditions. For 2022, Shopify expects continued secular tailwinds for entrepreneurship and digital commerce transformation against a more measured macro environment relative to 2021.

Among the headwinds or threats to business growth are the absence of a pandemic-induced e-commerce surge, the end of government stimulus programs, and the impact of rising inflation on consumer spending. In Q4 2021, Shopify incurred a net loss of US$371.3 million compared to the US$123.9 million net income in Q4 2020.

## Merger delay

Rogers Communications, Canada's third-largest telecommunications firm, isn't doing much better than Air Canada or Shopify. Rogers stock has lost 9.5% year to date. Nonetheless, at $53.21 per share, investors partake of the 3.76% dividend. The thing going against this telco stock is that stalled merger with **Shaw Communications**.

The deal might not close by year-end as the Competition Tribunal hearing will begin November 7, 2022. A third and final obstacle is the approval by Innovation, Science and Economic Development Canada. Because of the delays, the future partners had to extend their agreements into 2023.



Tony Staffieri, Rogers' CEO, remains hopeful the merger could close this year if mediation with the Competition Bureau next month resolves concerns.

## Problems galore

Air Canada, Shopify, and Rogers Communications are popular stocks and brands in Canada, but not necessarily sound investment choices today. The difficulty each has can't be solved overnight.

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2. NYSE:SHOP (Shopify Inc.)
3. TSX:AC (Air Canada)
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