



## Warning: These 3 Companies Are Cheap but Dangerous

### Description

Equities are becoming even more attractive as prices continue to drop and uncertainty mounts. The question of just how deep one can expect discounts to get is the only thing holding many investors back from otherwise loading up on what appear to be dirt-cheap stocks.

In this article, I'm going to discuss three companies that are very cheap, but potentially dangerous, for long-term investors.

### Western Forest Products

A Western Canadian producer of primarily softwood lumber, **Western Forest Products** ([TSX:WEF](#)) has seen its share price decline precipitously in recent months.

Investors are continuing to gauge the impact that this seemingly impending recession will have on U.S. housing demand in the years to come. U.S. housing demand directly impacts Canadian softwood lumber.

First, Western Forest Products has been battling its unions internally, including an eight-month long strike that ended earlier this year. In addition, the company's shareholders have been hit particularly hard from a demand perspective.

The coronavirus outbreak has led to a severe curtailing of U.S. housing demand as well as Chinese demand for softwood lumber. China is a relatively important buyer for WEF.

With supply building up, it may take years for the commodity price of lumber to recover. I would therefore steer clear of this entire sector for the foreseeable future.

### Air Canada

I have been extremely bullish on **Air Canada** ([TSX:AC](#))(TSX:AC.B) for years. But as I pointed out in [my recent article](#),

investors have a few reasons to be cautious, particularly as shares approached the \$50 level.

Airlines are indeed a fickle investment at the best of times. One major event could be the shock that pushes earnings and growth down for years, as we've seen in the past.

Airlines in general are simply too tethered to secular trends in economic growth and travel growth, in my view. In this environment, there remains far too much near-term downside to warrant building a position at these levels.

I'd encourage readers to instead take a deeper look at the end of this year to see how Air Canada's fundamentals look when the dust settles.

## Suncor

In the energy patch, Canadian heavy oil producer **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) is one of the largest players. Suncor is widely regarded as the blue-chip stock that is likely to not only survive this oil price plunge, but also thrive once prices return to normal.

Here's why I think that could be a dangerous thesis.

We simply don't know how long the Saudi/Russia oil conflict will persist. Saudis may be motivated to remove North American production. In order to do so, they may flood the market, opting to keep oil at the \$20-\$30 WTI a barrel for a year or more.

This prospect would certainly damage Suncor's books seriously, if not fatally. There is little in the way of positive long-term sentiment toward heavy oil in general.

The future is far too uncertain for Suncor at this point in time.

Stay Foolish, my friends.

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### POST TAG

1. airline
2. energy
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### TICKERS GLOBAL

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2. TSX:AC (Air Canada)
3. TSX:SU (Suncor Energy Inc.)
4. TSX:WEF (Western Forest Products Inc.)

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