2 Stocks to Avoid, 1 to Buy in July 2021

Description

Running your own portfolio can be a tough task. Self-directed investors need to scour the market, looking for the right complementary stocks that can yield a solid return. However, doing this in a disciplined manner over a long enough period could help you reach financial independence. Ultimately, that's the goal we try to achieve here at The Motley Fool.

In this article, I discuss two stocks investors should continue to avoid, and one to buy, in July 2021.

This is why you shouldn't rely on dividend yield

Before the COVID-19 pandemic, **Vermilion Energy** (TSX:VET)(NYSE:VET) was a popular stock because of its exceptionally high dividend yield. However, high dividend yields are often a red flag in my opinion. In fact, I would much more likely invest in a stock that has a dividend yield below 1% than one above 7%.

As a result of the market crash, Vermilion Energy's dividend yield shot into the stratosphere. At one point, it was greater than 70%. It was at this point that many investors decided to double or even triple down on their positions. However, the company would soon cut its dividend twice, before finally suspending it altogether. Today, Vermilion still hasn't reinstated its dividend.

To make matters worse, if you had invested in the stock for the past five years, you would have lost money. An investment in Vermilion Energy stock made five years ago would be worth 66% less than its original value. That represents an average annual loss of 19%.

This compares to an average annual gain of 7% by the **TSX** over the same period. Vermilion Energy is a stock I haven't been fond of for a while. I believe it's still not time to enter a position in this company.

No one is attending these establishments

If you're a swing trader, deep value investor, or interested in meme stocks, I suggest you skip this section or risk being made upset. Last month, I happened to check out a **Cineplex** (TSX:CGX) theatre — not to watch a movie, but to see whether patrons were frequenting these establishments once again. To no surprise, it was dead.

There were few employees and even fewer patrons. Of course, one theatre isn't representative of the entire company, but it does confirm that movie-goers are still hesitant to watch movies in person.

Cineplex has been seeing its attendance drop each year since 2015. From an investment point of view, that isn't what you'd like to see. Because of the COVID-19 pandemic, the company saw its attendance plummet to only 13.1 million over the course of 2020. In its Q1 2021 earnings report, Cineplex showed that its total revenue had declined 85% year over year.

This was mainly driven by a 96% year-over-year decline in attendance. With an average monthly cash burn of $26.9 in Q1 on top of those numbers, Cineplex is definitely not a stock worth investing in for the time being.

Try this stock instead

There are actually quite a few stocks on the TSX that investors should consider this month. One of the more appealing options is probably **Nuvei** (TSX:NVEI). The company provides an omnichannel payments solution to merchants. Using its platform, businesses can accept online, mobile, in-store, and unattended payment methods. Nuvei serves customers in more than 200 global markets, accepts 470 payment methods, 150 currencies, and 40 cryptocurrencies.

Last month, the company announced that it would be added to the **S&P/TSX Composite Index**, suggesting that this could be one of the more prominent companies in Canada in the future. Since its Initial Public Offering (IPO) late last year, Nuvei stock has gained more than 124%.

It is one of the few growth stocks listed on the TSX not to have experienced a prolonged downturn this year. Nuvei is an exciting stock in an emerging industry. If you don't already own it, it's time to seriously consider adding it to your portfolio.

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Date
2025/08/18
Date Created

2021/07/12

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