Investor Alert: Tips for Investing Your Cash This Summer

Description

Almost all investors are concerned about the direction stocks may be headed from here. Many believe that avoiding cyclical stocks and beefing up on hedges and/or defensive equities is the way to go. In this article, I will provide some tips for those looking to make some investment moves this summer.

Companies with highly economically-sensitive business models are still performing well through this pandemic. However, I think we're about to experience a significant shift in investor sentiment on this front. As such, I'd recommend conservative long-term investors avoid these three deep cyclicals.

BRP Inc.

Formerly Bombardier Recreational Products, **BRP Inc.** (TSX:DOO) is about as cyclical as a stock can get. The maker of various recreational snow and watercraft has seen its stock price bounce around violently. Investors are continuing to gauge the potential damage a recession would have on the company's bottom line.

The rally from March lows has been strong for BRP. However, I fear we could see a return to these levels should volatility pick up again.

BRP sells a highly discretionary nature of goods. This company is obviously extremely sensitive to the overall health of the economy. Also, the company is sensitive to disposable income and consumer spending.

The fact that we've yet to see sales drop off in a big way is somewhat surprising. I think investors intent on betting on another bull market run from here on may be rudely awakened, should data show this recession is worse than most feared. I expect this will happen.

I would encourage investors to steer clear of this high-beta stock until we have an indication of a market bottom, which I don't think we've seen yet.

Cineplex

Going to the movies in the middle of a pandemic? I didn't think so.

Cineplex Inc. (TSX:CGX) is another stock which is highly sensitive to disposable income and consumer spending trends. This stock is on my perennial list of stocks to avoid right now.

We are a long way away from seeing pre-COVID-19 theatre attendance levels. Theatre attendance was already substantially declining even before COVID. The quality of in-home entertainment options has greatly improved. It's also significantly cheaper to stay at home rather than going out to the movies.

I think Cineplex may be in more trouble than many investors think. Those considering investing in this value trap ought to be careful. We don't know where the true bottom is for this sector. I expect to see more bankruptcies to come in the near-term.

Crescent Point

In the Canadian energy sector **Crescent Point Energy** (TSX:CPG) could certainly be classified as a deeper cyclical stock. Crescent Point is on the high end of the cost of production curve, making this producer more sensitive to commodity prices than lower-cost producers.

With commodity prices largely driven by demand that is still under pressure from the coronavirus pandemic, questions remain around the direction Crescent Point's stock price is likely to head. For now, I'd caution investors to look elsewhere for equity exposure.

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1. energy
2. entertainment
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TICKERS GLOBAL

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2. TSX:DOO (BRP Inc.)
3. TSX:VRN (Veren Inc.)

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