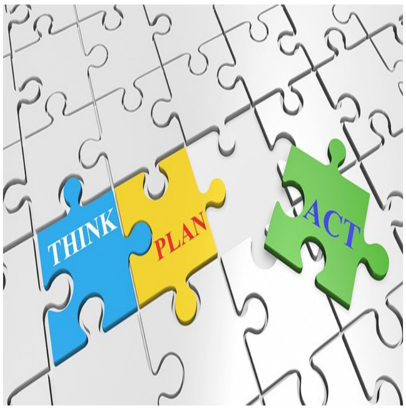

Why it Might Be Time to Sell Great Canadian Gaming Corp. and Quebecor, Inc.

Description

Knowing when to sell a stock is almost as important as knowing when to buy it. Unless you plan to hold a stock forever, then you'll want to look for some signals that a stock is peaking, and that it is time to cash out on any profits you have made. The danger is that by selling out too early, you could miss out on additional gains if the stock continues to increase in value. However, if you get greedy hoping to cash in on more gains, the stock could decline and you could lose profits because you didn't sell.

I am going to look at two stocks that have seen significant jumps in price and that look to be overbought based on their price movement.

Great Canadian Gaming Corp. (TSX:GC) saw its share price take off after it landed a bid where it will be able to manage an additional three gaming properties in Ontario in partnership with **Brookfield Business Partners LP**. Since August 8, when the deal was announced, the shares have appreciated by over 27%, and it looks like the buying may have been a bit overdone.

One technical indicator I like to look at is the Relative Strength Index (RSI), which looks at the average gains and losses of a stock over a period of time. The higher the average gains are relative to the average losses, the higher the RSI number is, and vice versa. An RSI over 70 indicates that a stock is in an overbought position and could be due for a correction. Great Canadian's RSI number has been over 70 for all of August and peaked on the 11th when it reached 96, but it has come down since then to around the low 80s.

The technical data suggests the stock is losing steam and might be due for a correction, which could bring the share price down. The company's price-to-earnings ratio jumped from 18 times earnings to a multiple of 23. Although the company will benefit financially from the new locations, that doesn't mean it will be a seamless operation, and Great Canadian also won't be the sole beneficiary of the success either.

Quebecor, Inc. (TSX:QBR.B) has seen its stock price rise by over 28% year to date, and it got a big boost when the company reported its Q2 earnings in August. However, with a price-to-earnings ratio of over 24, the stock is a bit expensive for a company whose operations focus on one province.

Quebecor's RSI level has been above 70 since mid-August and continues to be near 80, indicating the share price might be due for a correction soon. Although the company had a good quarter with revenue rising 4% year over year, and profits of over $132 million being significantly up from just $9 million a year ago, Quebecor has still posted losses in two of its last four quarters and has failed to find any consistency in its earnings. For those reasons, I don't think such a significant jump in the share price was warranted, and I would expect the stock to give back some of its gains.

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