



## 2 Overbought Stocks That Could Drop in Price

### Description

For investors that don't plan to buy and hold investments forever, knowing when to sell is often as important as knowing when to buy. When a stock has a lot of momentum behind it, and the share price continues to rise, it could become overbought and due for a decline. This is where technical analysis can sometimes help to identify overbought stocks and alert you to a possible drop in price.

One indicator I normally look at is the Relative Strength Index (RSI), which compares the average gains against the average losses that a stock has posted over the past 14 days. When the RSI indicator is over 70, that signifies that the stock has seen much greater gains than losses, significantly enough that the share price might be due for a drop in price. Certainly, the price can continue to climb, despite a high RSI number, but it should alert you to at least keep an eye on the stock.

I'm going to have a look at two stocks that have high RSI levels and assess whether or not the stocks might be on their way down.

**Allied Properties Real Estate Investment** ([TSX:AP.UN](#)) recently hit a 52-week high, and with an RSI level of 81 as of the end of last week, its stock price may have peaked. Year to date, the stock has produced returns of 14% for investors, and it is also trading near all-time highs. The company had good growth in its most recent quarter with sales up 9% year over year, and its last fiscal year also saw revenues rise by 7%. Allied has seen sales growth in each of the past three years; however, profits have been a bit more inconsistent.

The stock trades at eight times its earnings, and it is relatively inexpensive compared to other REITs, like **Slate Office REIT** ([TSX:SOT.UN](#)) and **Artis Real Estate Investment Trust** ([TSX:AX.UN](#)), which trade close to 13 times earnings. Although there may be some more upside left in the price, there are many reasons to expect a drop in price soon.

**Canopy Growth Corp.'s** ([TSX:WEED](#)) stock price has risen 36% in just the past month and 60% since July. As news came out about excise tax being lower than feared, and with Canopy securing a deal to supply New Brunswick with cannabis as an official supplier, there was certainly a lot of good press that helped the pot producer's stock rise in price.

The stock is at an RSI level of 82, and the last time it was higher than that was in November when the share price was at a 52-week high, and shortly afterward the stock started to decline. However, Canopy is poised to keep rising in price as anticipation continues to build towards the day when marijuana is legalized and when demand will explode and sends the pot producer's sales through the

roof. If the share price does see a drop, it would unlikely have a long-term impact as the hype and excitement in the industry is strong enough to keep on carrying it to new highs.

#### **CATEGORY**

1. Dividend Stocks
2. Investing

#### **TICKERS GLOBAL**

1. TSX:AP.UN (Allied Properties Real Estate Investment Trust)
2. TSX:AX.UN (Artis Real Estate Investment Trust)
3. TSX:RPR.UN (Ravelin Properties REIT)
4. TSX:WEED (Canopy Growth)

#### **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

#### **Category**

1. Dividend Stocks
2. Investing

#### **Date**

2025/08/25

#### **Date Created**

2017/10/12

#### **Author**

djagielski

default watermark

default watermark