# If You Own These Frothy Stocks, it's Time to Do Some Trimming

## Description

Volatility is back in a huge way! After a steady and worry-free upward ride in 2017, the chart of the S&P 500 is now a roller coaster, posting triple-digit percentage gains and losses in a single day. This is the new normal, and as the tech-heavy NASDAQ exchange continues to nosedive at a quicker rate than the S&P 500, I think we're in for a growth-to-value rotation in equities, as I've mentioned many times in some of my previous pieces.

As such, it'd be a wise move to trim some of the names that have grown to contribute a larger percentage of your portfolio than you would have expected at the time of your share purchases. Red-hot tech stocks with questionable valuations have handsomely rewarded their investors, but it's important to remember that you'll need to sell your holdings and take your profits; otherwise, your gains could be surrendered in what will seem like an instant.

It's hard not to be complacent when a stock skyrockets right after you bought it, and it's this mindset that fueled the parabolic upward move in the S&P 500 earlier this year. Anybody who was complacent probably didn't take any profits near the peak, and sadly, it's these investors who saw their gains surrendered across a few trading sessions.



If you've still got speculative or overvalued high-growth names like **Shopify Inc.** (TSX:SHOP)( NYSE:SHOP) or **Dollarama Inc.** (TSX:DOL) in your portfolio, it's probably time to do some profit taking, so you can use the proceeds to pull the trigger on some major bargains that are scattered across the TSX and S&P 500 today.

Furthermore, growth investors must remember that such frothy growth stocks could stand to face major declines should anything short of perfection be delivered when it comes time to release earnings results. Add the broader sell-off across higher-multiple tech stocks we've seen of late, and reducing your portfolio's overall exposure to overrun winners may seem like a prudent strategy, which could bolster your total returns over the long haul.

**Bottom line**

Growth stocks are some of the most exciting types of stocks to own, but after they've run up well above what's realistic, it's never hurt anybody to take at least some profits off of the table. As we move deeper into correction territory, expensive stocks will stand to get hit way harder than their fairly valued counterparts.

With the markets jumping and falling +2% in a day, the average investor is probably feeling relieved and greedy on certain days, only to feel panic, fear, and despair on other days. It's a stomach-churning ride, and those who can't deal with such magnitude of daily movements should seek safety in lower-beta dividend stocks. Best of all, a lot of them are undervalued today!

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1. Investing
2. Stocks for Beginners

**TICKERS GLOBAL**

1. NYSE:SHOP (Shopify Inc.)
2. TSX:DOL (Dollarama Inc.)
3. TSX:SHOP (Shopify Inc.)

**PARTNER-FEEDS**

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