The Number 1 Stock to Consider Shorting Right Now

Description

If you own **Canada Goose Holdings Inc.** (TSX:GOOS)(NYSE:GOOS), then you might be wondering if it's time to sell. Its share price has gone nuts over the past month and looks set to nosedive. In the last 24 hours, it's already dropped 5%. Will it climb again after a drop? Potentially, yes, because its overall trend has been toward growth, and it still has legs. Technically, it still has a 21.8% growth curve ahead, but its share price is extremely volatile, and it's massively overvalued.

The real opportunity here, though, is for anyone who does *not* own shares in Canada Goose. What you're looking at right now is perhaps the perfect opportunity to try shorting a stock. But be warned — this is a risky tactic and not for the faint-hearted or inexperienced.

Why is Canada Goose ripe for short selling?

Driven by its hungry e-commerce expansion, Canada Goose has seen its share price leap exponentially this year. This has made it hard for investors to gain entry recently, but it offers a different type of opportunity.

Shorting isn't for everyone. In fact, most seasoned investors will tell you it's a terrible idea. Borrowing stock and selling it so that you can then buy it back at a lower price is risky, to say the least. It requires knowledge of a stock, razor-sharp investment instincts, and more than a little bravado. You'll also need to have a margin account, and not every investor has one of those.

How do you short a stock, anyway?

You have to declare the short sale beforehand; otherwise, you'll be in violation of certain laws covering securities, plus you'll need to know your broker's maintenance margin requirement (MMR), as this will determine how many shares to borrow. Watch the price for the point where the margin call will be triggered. This is calculated as Margin Account Value / (1+ MMR).

After borrowing and selling, you'll have to buy back the stock you just sold. You have to close out the short position, otherwise you could get stuck with compound losses, and that's a terrible position to be in. The good thing is that you'll have made a profit and you'll own a healthy stock with yet more growth ahead of it. Sure, its multiples leave something to be desired, but you can't have everything. Canada Goose is, by all accounts, a healthy stock with a great track record and a bright future.

The bottom line

Borrow it, sell it, wait for the price to drop (which it will) and then buy it back. You'll could make some quick money, so if you've got nerves of steel, then try this daring short on for size. If you don't know how to short sell, you have about five minutes to become an expert, so go look it up. You don't have long to investigate what your margin interest and stock borrowing costs may be.

Trust your own instincts, and don't make a mistake by taking free advice if you're unsure of what you're doing. But seasoned short sellers and investment daredevils take note, because this could be a once-in-a-lifetime opportunity.

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vhetherington