2 Stocks That I'd Sell Today

Description

Knowing when to sell a stock is just as important as knowing when to buy it, unless you're like Warren Buffett and plan to hold forever.

You have to pay close attention to the company as well as market conditions, since either could play a big role in how the stock does. Even if a company has a good performance in the quarter, if the outlook is poor because demand is expected to be low, then investors will factor that it when deciding whether to buy the stock or not and at what price.

One particular industry that may see more challenging times ahead is the airline industry. We've seen competition start to increase, and combined with higher oil prices this year, that could make things problematic for two of the biggest airlines in the country, **Air Canada** (TSX:AC)(TSX:AC.B) and **WestJet Airlines** (TSX:WJA).

Air Canada recently released its quarterly results, and although revenues were up more than 10%, rising fuel costs were up 31% and chipped away at the company's bottom line, as it recorded a loss of $77 million. As a result, the airline is going to be raising fares to help combat the higher commodity prices. However, that may only make things worse with low-cost competitors like Flair Air competing on price.

Since reaching a high of over $29 a share earlier this year, Air Canada dropped back down to under $21, although it has made a bit of a recovery since then. However, with Air Canada potentially being less competitive, we could see softer results in future quarters, and that might make it a good time to sell to stock before it dips even further in price.

WestJet is another airline that could be headed down, as the company recorded a loss of $21 million in its most recent quarter. The airline was plagued with a labour dispute earlier this year that not only raised concerns about cancellations, but about the company's customer service as well.

With its new low-cost airline Swoop, WestJet could find a way to grab more market share, but profits may be too elusive given the current industry conditions. Year to date, WestJet's stock has declined by 30% and although it may be a good value buy, trading below its book value, there's a bit too much risk here for the stock to be considered a good buy today.

Bottom line

While value investors might be tempted to buy WestJet and Air Canada because of their low multiples of earnings and book value, it can be a dangerous assumption that just because a stock looks undervalued that it is a good buy. High-risk stocks, such as those that are dependent on commodities, often trade at lower multiples because of the added uncertainty that investors face.

The outlook for an industry and the stock as a whole should play a big factor in determining whether to invest or not, and in the case of WestJet and Air Canada, things aren't looking too rosy today. With Air Canada raising prices and WestJet seeing a lot of bearish activity this year, it's hard to get excited about either stock.

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