Warning: 4 Overheated Stocks to Sell Now Before the Market Worsens!

Description

Below you will find four Canadian stocks that you may want to sell now before the global economic outlook gets any worse. You'll find an entertainment staple that looks positively sour and discover that growth stocks were not made equal, as earnings forecasts and value do battle in a pair of overheated TSX favourites.

Cineplex (TSX:CGX)

Stock in this staple of Canadian entertainment has risen since July, defying the trend that has characterized much of the rest of the TSX index. It looks discounted if you compare it with its projected future value; however, a glut of shoddy multiples shows that this stock is overvalued: a P/E of 26 times earnings does not feel justifiable, while a PEG of 4.8 and P/B of 3.2 show how sell-worthy this stock is. A high debt level of 86.2% of net worth and poor 5.5% expected growth in earnings rounds out a dud worth selling sharpish.

Tilray (NASDAQ:TLRY)

Don't let a market cap of $10 billion and ongoing talk of a booming marijuana industry fool you — this overpriced dud is a stock to sell now. A P/B of 230.1 times book and one-year past earnings contraction of 189.2% would look appallingly bad, even in a stock with a verifiable and quantifiable market. A 90.5% expected annual growth in earnings makes it look as though this market is on the horizon, but I'm not convinced. As with most other legal pot stocks, you won't get a dividend from Tilray, and with a high level of debt at 155.4% of net worth, investors who have little appetite for risk shouldn't try holding until it they do.

Capital Power (TSX:CPX)

This energy stock is pretty sluggardly, with a P/E of 52.8 times earnings and PEG of 3.7. A past one-year contraction of earnings by 74.6% and paltry ROE of just 3% in the same period does not pair well with a high level of debt at 70.1% of net worth. Though a +6% yield looks tempting, dividends are not well covered by earnings, with a negative coverage of 0.3 times — overall, this is a low-quality stock to sell now.

Descartes Systems Group (TSX:DSG)(NASDAQ:DSGX)

Descartes Systems Group's P/E ratio of 80.4 times earnings looks like a sell in today's dodgy economic climate. A PEG of 3.3 times growth and P/B ratio of 4.4 times book show that this really is an overvalued stock. Unless you want to hold on for that potential upside (this is a growth stock looking at a leap in earnings of 24% over the next couple of years), then it's probably one for the sell pile; at today's share price bloated by $10 over future value, those capital gains have probably been realized anyway.

The bottom line

Descartes Systems Group goes head to head here with the likes of Tilray, a legal pot media darling that wowed investors all summer only to let them down come legalization earlier this month. Capital Power and Cineplex, meanwhile, are just poorly valued without even any significant growth in earnings ahead of them. All four are looking like stocks to sell now before the market gets any worse.

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1. Energy Stocks
2. Investing
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TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. NASDAQ:TLRY (Tilray)
3. TSX:CGX (Cineplex Inc.)
4. TSX:CPX (Capital Power Corporation)
5. TSX:DSG (The Descartes Systems Group Inc)

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