Is it Time to Take Profits in These 2 Growth Stocks?

Description

The S&P/TSX Composite Index was down 19 points in early afternoon trading on January 28. The index is up 7% in January so far, which puts it close to recouping its sharp losses from 2018. A poor batch of earnings for industrial giants in Canada and the United States weighed on its outlook when trading opened Monday.

Today, we are going to look at two growth stocks that have surged to start 2019. The broader TSX is giving off overbought signals as we head into February. Should investors take profits in one or both stocks?

Canopy Growth (TSX:WEED)(NYSE:CGC)

Canopy Growth stock has soared 75% in January. Shares hit all-time highs immediately before recreational legalization. Unfortunately, the sector ran into a buzz saw in the form of supply issues and a global stock market sell-off, which sent cannabis stocks into a tail spin. Before legalization I'd discussed why Canopy looked like the safest option among the top producers in Canada.

Canopy Growth surged after a report from **Canadian Imperial Bank of Commerce** World Markets projected that the company would exceed expectations and come to dominate the global market. The report pointed to the "best-in-class" management team at Canopy Growth. It also pointed to Canopy Growth securing one of the largest investments in the industry from **Constellation Brands**.

The company is set to release its fiscal 2019 third-quarter results on February 14. Should investors jump in before the big day or take profits? As of this writing, Canopy Growth stock had an RSI of 82. This indicates that the stock is well into overbought territory. Shares may have enough momentum to challenge the all-time high of $76.68, but value investors should wait out this rally before pulling the trigger at this price.

Shareholders should consider scooping up profits if they had the patience to buy the dips during the late 2018 carnage.

Great Canadian Gaming (TSX:GC)

Great Canadian Gaming stock has climbed 11.6% in January so far. Shares have surged 28.8% over the past three months. The stock gained significant momentum after the release of very good third-quarter results. In mid-December, I'd recommended Great Canadian Gaming as a bargain.

For the first nine months of 2018, Great Canadian Gaming reported revenues of $879 million, which were up 90% from 2017. The company has predictably seen a massive boost from the inclusion of revenues from the GTA Bundle — a deal which was completed in early 2018. Net earnings have surged 162% year over year to $190.6 million.

Great Canadian Gaming has committed to a renovation of GTA properties, which it will hold for over two decades. The boost in revenue from these properties is reason enough for optimism, but how should investors react today? As of this writing, Great Canadian Gaming stock had an RSI of 62, which is just outside overbought territory.

The company is expected to release its fourth-quarter and full-year results in early March. The stock is pricey right now, so those looking to jump in may want to press pause on stacking in late January. For shareholders, Great Canadian Gaming looks more like a hold ahead of its next earnings release.

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