Is it Time to Take Profits in These 2 Stocks?

Description

Investors entered 2019 with the pain of one of the most brutal Decembers for the stock market in history fresh in their minds. So far, the early year has proven be a pleasant surprise. The **S&P/TSX Composite Index** has climbed 9.2% in 2019 as of mid-afternoon trading on February 5.

Stock market runs of these kinds typically create a strange effect. Investors go on buying sprees when many should instead be reorienting or even heading for the sidelines. The TSX is broadly overbought. Today we are going to look at two stocks that have picked up huge momentum in early 2019. Should shareholders sell, and should potential buyers sit on their hands? Let's dive in.

Cronos Group (TSX:CRON)(NASDAQ:CRON)

In early January I'd discussed why cannabis stocks could be a very solid source of growth to start the year. The sector had been hammered after recreational legalization in October 2018, as the industry was mired by supply issues and a perception of overvaluation. Cannabis stocks have soared in early 2019, but investors should remain realistic about this historically volatile sector.

Cronos Group stock has soared 112% in 2019 as of mid-afternoon trading on February 5. The stock is up over 340% year over year. However, on February 5 shares were down 7.7% as of this writing. Cronos Group received a very favourable write-up from analysts at **Canadian Imperial Bank of Commerce** in a report that also sparked a rally for **Canopy Growth**.

Cronos Group is a producer to watch going forward, but investors will be paying a premium if they choose to dip into the stock today. The stock boasts an RSI of 75 as of this writing, indicating that the stock is well into overbought territory. Potential buyers should await a pullback, while shareholders should consider taking profits if they have not already.

Air Canada (TSX:AC)(TSX:AC.B)

Air Canada stock has climbed 16.6% in 2019 so far. Shares are up 27% year over year. In January I'd discussed why airliners are particularly susceptible to economic turbulence. However, Air Canada has strengthened its balance sheet since enduring a tumultuous period during the financial crisis.

Air Canada is set to release its fourth-quarter and full-year results on February 15. The company released an impressive Q3 report back in October 2018. Strong revenue and cost management offset soaring jet fuel prices. **WestJet Airlines**, Air Canada's top domestic competitors, recently saw high jet fuel costs cut into revenues in its Q4 report. However, jet fuel prices fell sharply in late 2018. This is good news for Air Canada going forward.

Betting against Air Canada has been a poor proposition over the past few years. Even in the face of rising fuel prices in 2018, Air Canada has thus far managed to post record earnings on the back of solid management and soaring passenger traffic. The stock has an RSI of 79 as of this writing, indicating that the company is well into overbought territory ahead of its next earnings release.

Buying the dips in Air Canada has been an airtight strategy over the past five years. Investors should avoid paying a premium today and await its Q4 earnings release before pulling the trigger. Shareholders can comfortably take profits while mulling re-entry at a more favourable price.

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