Investor Alert: These Stocks Are Trading At 52-Week Highs: Should You Take Your Money and Run?

Description

Capital preservation is a very important, but sometimes it seems, it's a less talked about goal of Canadian investors.

Part of this is knowing when to sell a stock.

The following three stocks are trading at 52-week highs, which can sometimes be a sell signal, especially for cyclical stocks.

Intact Financial Corporation (TSX:IFC)

With a 2.72% dividend yield, a solid competitive position in the insurance industry and solid management, Intact offers investors stable income as well as significant potential capital appreciation.

Strong results, a growing dividend, a healthy balance sheet and the potential for additional growth via acquisitions are drivers for the stock going forward.

Intact offers investors a defensive, reliable, high-quality name that has a proven history of value creation.

Management expects that 15-20% market share will change hands in the next 5 years. And given that barriers to entry are high in this business, this leaves Intact well positioned to continue to be the consolidator in Canada and in the U.S.

Empire Company Limited (TSX:EMP.A)

Empire is a defensive stock that has been a story of transformation.

With a $6.9 billion market capitalization and a 1.74% dividend yield, this stock has been beating expectations and as such, the stock has doubled from lows hit at the end of 2016 and is now trading at 52-week highs.

The plan has been effective, and it has worked, but there's a long way to go, within a competitive environment and with other grocers having a stronger position in the market, I think Empire stock will probably take a breather here.

Labrador Iron Ore Royalty Corporation (TSX:LIF.UN)

Labrador Iron Ore Royalty first started ranking high on my screening list because of its valuation and strong cash flows back in 2015, when it was trading at roughly $13. With a dividend yield of close to 10%, I looked into it.

The iron ore industry was not booming and iron ore prices had been decimated, with most experts saying that increasing supply would keep this commodity going lower for the foreseeable future.

But being a royalty company and given that it receives royalty from high grade iron ore production, it seemed like a low risk, high quality company to gain exposure to the commodity. If growth in China were to remain strong, then iron ore would recover.

Four years later, Labrador Iron Ore's stock is more than 50% higher, and investors have benefitted not only from its regular dividend payments, but also from special dividend payments.

Today, the dividend yield on the stock is currently 3%, a far cry from the almost 10% dividend yield in 2015.

The iron ore industry is a very cyclical one, and things are cooling, but is the value still there?

Although iron ore prices are once again soaring, the downside risk to the shares is elevated, so I would take my profits and move on.

CATEGORY

1. Dividend Stocks
2. Investing
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TICKERS GLOBAL

1. TSX:EMP.A (Empire Company Limited)
2. TSX:IFC (Intact Financial Corporation)
3. TSX:LIF (Labrador Iron Ore Royalty Corporation)

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