2 Stocks at 52-Week Highs: Should You Take Profits Now?

Description

The S&P/TSX Composite Index rose 150 points on June 4. North American stocks surged following dovish comments by U.S. Federal Reserve chairman Jerome Powell. Here in Canada, there is also optimism as the Bank of Canada has drawn back on its own rate-tightening path. Heightening trade tensions and slowing global growth have increased the chances that investors may see a rate cut in 2019. This is a stunning reversal from the middle of 2018.

With that in mind, today we are going to look at two stocks that have reached 52-week highs over the past trading week. Should this environment encourage you to take profits? Or will dovish central banks continue to prop up a shaky stock market and support prices?

Hydrogenics

Hydrogenics (TSX:HYG)(NASDAQ:HYGS) is a Mississauga-based company that develops and manufactures hydrogen generation and fuel cell products based on water electrolysis and proton exchange membrane (PEM) technology. Shares of Hydrogenics have climbed 45.9% month over month as of close on June 4. The stock has enjoyed a sharp post-earnings bump after the company released its first-quarter results on May 14.

The big story at Hydrogenics was the increase in its backlog to $150 million. The company forecasts that it will recognize roughly $57.6 million in revenue in the following 12 months. This has been achieved largely through an investment by the French multinational Air Liquide, which has also bolstered Hydrogenics's balance sheet.

In previous articles, I have discussed the reasons for investors to be excited about renewables. Hydrogenics is an exciting company, but investors should take care in a volatile market. The stock had an RSI of 73 as of close on June 4, which puts shares firmly in technically overbought territory.

Park Lawn

Park Lawn (TSX:PLC) is a Toronto-based company that provides goods and services associated with the disposition and memorialization of remains in Canada and the United States. In late May, I'd discussed Park Lawn's success in 2019 and why it is a fantastic option for investors looking long term. Shares have climbed 25% in 2019 so far. The stock hit a 52-week high of $29.94 in trading last week.

Park Lawn released its first-quarter 2019 results on May 14. The company has leveraged its strong balance sheet to move in on acquisitions across North America. Its peers in this sector have been more constrained, which gives Park Lawn a distinctive advantage heading into the next decade. On May 8, Park Lawn announced definitive agreements to acquire two U.S. businesses in Colorado and Missouri.

North America's aging population positions Park Lawn for significant growth going forward. Right now, it has a hefty P/E of 31, which is pricey in comparison to industry peers. Its strong balance sheet should pique interest, but value investors may want to await a more favourable entry point. Shares had an RSI of 64 as of close on June 4, which puts Park Lawn just outside technically overbought territory.

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1. Investing

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