Sell These 3 Top Stocks Now

Description

You're likely familiar with many of Canada's top stocks. With multi-billion-dollar valuations, you've likely had personal experiences with many of these companies.

Due to their popularity, well-known stocks are often assigned a "popularity premium." Essentially, you're paying more for the stock simply because the story is more widely appreciated.

Sometimes this popularity premium can rise to dangerous levels, as is the case with one stock on this list. In other cases, the premium has propped up the valuation of stocks facing severe risks over the next decade. That's the case with the other two stocks on this list.

If you own the following companies, rethink your investment *immediately*.

Even if you don't own these stocks, it can pay off to understand the associated risks and how they may ultimately impact your portfolio.

Sell the optimism

Investors have been betting on Canadian banks for decades with great results. Most domestic bank stocks have beaten the market for 10 or 20 years straight, all while delivering big dividends and less volatility.

With its 5.8% dividend, **Laurentian Bank** (TSX:LB) has become a recent favourite, but one famous investor believes the good times are coming to an end.

Steve Eisman knows when financial stocks are about to plummet. In 2007, he made massive bets that the U.S. financial sector was about to collapse. Investors that followed his advice made *billions* of dollars in a matter of months.

This time, he's coming for Canadian banks.

"Canada has not had a credit cycle in a few decades," Eisman told *Bloomberg.* "I don't think there's a Canadian bank CEO that knows what a credit cycle really looks like."

He specifically shorted Laurentian Bank, saying that there's "20% plus" downside.

This is getting crazy

Shopify (TSX:SHOP)(NYSE:SHOP) is another stock that investors love to love.

Over the past 12 months, shares have doubled. Since 2015, they've tripled.

There's no doubt that this company is a winner, but sometimes share prices accelerate faster than the underlying business.

Nearly every year since going public, Shopify has increased revenues by more than 50%. It's become *the* dominant force in its industry. Unfortunately, this success has attracted some heavyweight competitors.

In March, $30 billion tech giant **Square** entered the market directly. Then $1 trillion behemoth **Microsoft** jumped into the ring. Shortly after, $500 billion **Facebook** dramatically increased its presence.

Shopify will continue growing, but its nose-bleed premium of 22 times forward sales no longer seems justified.

Fear this competitor

Supermarket stocks like **Metro** (TSX:MU) are in trouble.

I recently outlined how **Amazon.com** (NASDAQ:AMZN) is finally ready to disrupt the industry after years of speculation.

"Amazon is rapidly improving its ability to unilaterally deliver packages and groceries without the help of an intermediary like **United Parcel Service, Inc**. or **FedEx Corporation**," I wrote.

Amazon has been covertly scaling third-party, hyper-local delivery businesses across the U.S. and Canada.

Before you know it, Amazon will have its own same-day delivery network to every major metropolitan area on the continent. That combined with its Whole Foods locations will make it a dominant force in the $1 trillion North American grocery industry.

The time of the legacy grocer is coming to a close.

CATEGORY

1. Bank Stocks
2. Investing

3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:LB (Laurentian Bank of Canada)
4. TSX:MRU (Metro Inc.)
5. TSX:SHOP (Shopify Inc.)

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