



3 Overvalued Stocks to Sell Right Now

Description

The stock markets are in the middle of an elongated bull run. The last recession was back in 2008, and this has been one of the longest bull runs in stock market history. But we know that the ongoing trade war between the United States and China will impact global markets. The two economic giants are battling it out for supremacy, and the trade war has escalated very quickly in recent times.

Further, the macro environment continues to be sluggish, resulting in choppy markets. China's economy is slowing, and the yield curve in the U.S. has inverted. The inverted yield curve has been a key recessionary indicator since the 1960s. So, investors now need to sell stocks that are overvalued, as these stocks will underperform broader indices in a downturn.

Shopify

Shares of Canada's most famous company **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) have been on an absolute tear. The stock has gained a whopping 1,355% since its IPO in May 2015. It has time and again beaten analyst estimates and crushed market expectations to move forward.

But now investors need to be wary. Make no mistake, Shopify is still an excellent long-term buy. In fact, investors need to buy the stock at every major dip. But the stock is trading at premium valuations and is due for a correction. It will lose significant value in case recession fears come true.

Shopify is valued at 28 times its 2019 sales. The stock is trading at a forward P/E multiple of 395. Compared to this, analysts expect Shopify's earnings to grow at an annual rate of 53% in the next five years. Shopify is grossly overvalued considering the P/E multiple. Analysts have a 12-month average price target of \$475 for Shopify, which is 6.5% below its current trading price.

Metro

Shares of **Metro** ([TSX:MRU](#)) are trading at \$54.18. The stock has gained 31% in the last 12 months and 131% in the last five years, easily outpacing broader indices. Metro has a [huge footprint across Canada](#)

. Its acquisition of Jean Coutu has resulted in incremental revenue growth for the company.

Analysts expect Metro sales to rise by 16.3% to \$13.73 billion in 2019 and 2.4% to \$17.1 billion in 2020. But the stock is overvalued considering its forward P/E multiple. The Metro stock is trading at a forward P/E of 17.2. Analysts expect the firm to increase earnings by 13.5% in 2019 and 10.5% in 2020.

Its earnings are expected to grow at an annual rate of 8.8% in the next five years, indicating the stock is overvalued by at least 20%. Analysts have a 12-month average price target estimate of \$54.75, which is just above the stock's current trading price.

Metro remains a solid long-term pick given its penetration in domestic markets.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)), or Bell Media, is a domestic heavyweight. It has a market cap of \$55 billion and the stock is trading at \$61.38 per share. Bell Media shares have returned 15% in the last 12 months. It has underperformed broader indices in the last five years, as the stock is up by just 26% in that period.

BCE stock has increased in value recently after [stellar quarterly results](#). The company's wireless segment experienced its highest growth in almost 20 years, as net customer additions rose by 149,478. This growth was driven by Bell Media's Lucky Mobile Brand, which continues to attract prepaid customers.

Analysts expect sales to rise by 2.2% to \$23.97 billion in 2019 and 2.2% to \$24.5 billion in 2020. The stock is trading at a forward P/E of 16.5. Analysts expect the firm to increase earnings by 0.9% in 2019 and 4.8% in 2020.

Its earnings are expected to grow at an annual rate of 3.7% in the next five years, indicating the stock is overvalued, even after accounting for its dividend yield of 5.1%. Analysts have a 12-month average price target estimate of \$61.65, which is just above the stock's current trading price.

All three stocks are solid long-term picks but are bound to correct significantly in an economic downturn.

CATEGORY

1. Investing
2. Top TSX Stocks

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:MRU (Metro Inc.)
5. TSX:SHOP (Shopify Inc.)

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