3 Stocks I'd Consider Selling Today

Description

Knowing when to sell stocks is arguably just as important as selecting the best stocks to begin with. A large portion of an investor's gains can be made or lost when deciding whether to sell a stock.

What complicates matters is when you own the stock, your emotions are much stronger and your sense of urgency to make a decision will cloud your judgement.

Nonetheless, investors should be consistent in managing their portfolios and checking in on their holdings periodically to see if any stocks need to be trimmed or sold off completely.

Three stocks that I'd be taking profits off the table are **Emera** (TSX:EMA), **Loblaw Companies** (TSX:L) and **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN).

Emera

Emera has been a top performer on the TSX this year, as investors flock to the safe utility stocks, the trouble is the rush to safety has caused Emera to become over bought.

While I believe Emera is a solid long-term stock, I would probably look at trimming some of my position, depending how big it is.

In the last 11 months, the stock is up roughly 50%, on a regulated utility company that regularly grows its business by less than 10% per year.

Emera is a solid stock, but it is a great investment because of its slow growth and stability, so when it runs up 50% in less than a year, it's clear its due for a pullback.

Many of its valuation metrics, such as price to earnings and price to book, have also been creeping up above its five-year average.

Loblaw

Loblaw is another of the defensive stocks that has seen a rush of investors bid its stock up to over-bought territory. In the last 11 months, its stock is up nearly 40%.

Since Loblaw is such a large company, growing fast is obviously a difficult task. Instead, Loblaw tends to grow slowly but with stability.

Unfortunately, when its stock price has moved up such a significant amount in such a short amount of time, it leaves investors vulnerable to a stock that may be overvalued.

From 2018 till now, its price to book has moved up considerably; so too has its enterprise value-to-earnings ratios.

Investors should tread carefully, especially if your average cost of your shares is above $65, where the stock could retreat back too, if there were a catalyst for a sell off.

Algonquin

Algonquin is another of the utilities, but it also has assets in renewable energy. Algonquin stock has also increased considerably, similarly to the previous two companies.

In the last 11 months, its stock is up roughly 40% as well, but what makes Algonquin different is its business has been growing faster than the other two companies.

This means Algonquin may be less of a threat of a pullback as more of its appreciation seems to be warranted.

Looking at some of its valuation metrics, it seems as though it’s definitely the least at risk of a pullback, but investors may still want to trim their positions and rotate into other great investments that are undervalued at the moment.

Bottom line

In addition to the fact that these stocks are all over bought, their sheer stock performance over the past year will have driven a lot of institutional funds to now be over weight, which means at some point they will have to sell some blocks to get back to their stated weightings.

Furthermore, retail investors will also be profit-taking at some point, which will exacerbate the effect when institutions join in.

This will inevitably hurt the share price, so trimming now and rotating into other top companies or sectors could be the prudent move. Only you will be able to decide based on your situation.

CATEGORY

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2. Investing
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TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:EMA (Emera Incorporated)
4. TSX:L (Loblaw Companies Limited)

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