3 Stocks You Should Sell if You’re Worried About a Recession

Description

Fears of a recession are on the rise, and while it’s important to know which stocks to buy before it hits, it’s just as important to know which stocks to sell (or avoid). Below are three stocks that investors may want to sell sooner rather than later.

Shopify (TSX:SHOP)(NYSE:SHOP) needs a strong economy to be able to process lots of transactions on its platform. While Canada may be just one piece of that puzzle, the U.S. economy hasn’t been looking that strong either, with multiple interest rate cuts already taking place this year. If both markets struggle, that could be problematic for Shopify.

The company’s growth rate has already been decreasing and without a strong economy to drive sales further up, Shopify is one stock that could be in danger of a correction. The stock is currently trading at a high premium with a price-to-book multiple of well over 20 and a price-to-sales ratio of more than 35.

With no profits and the company getting into the fulfillment business, there are going to be a lot of investors watching the stock carefully to see if Shopify can continue growing at a high rate and if its recent initiatives will pay off.

However, it’s a risk that I wouldn’t take, as there is a real possibility that Shopify shares may have peaked.

Canada Goose Holdings (TSX:GOOS)(NYSE:GOOS) is another stock that I’d be close to hitting the sell button on. While consumers have been more than willing to fork over more than $1,000 on the company’s expensive parkas and winter clothing, that could change in a hurry as budgets get tightened during a recession. There are many other cheaper clothing options for consumers to stay warm in, and those alternatives could get more attention if disposable incomes begin to fall.

Like Shopify, Canada Goose is also dependent on a strong growth rate to be able to draw investors in. And there have been some disappointing performances this year that have led the stock to declines of more than 15% in 2019. And while its valuation may not be as egregious as Shopify's is, with Canada Goose trading at more than 40 times earnings and 16 times book value, it also has a lot of room todrop.

Artizia (TSX:ATZ) is in a similar boat to Canada Goose, as its premium-priced products could also be a harder sell amid more challenging economic conditions. While its products may be more modestly priced, they're still not cheap, and not buying them could be an easy way for consumers to free up room in their budgets.

It also doesn't help that retail failures are back in the spotlight now that we've learned Forever 21 is struggling and is just the latest company in the industry to have filed for bankruptcy. The challenge for Aritzia will be in convincing investors that it's a safe investment amid all of the struggles we've seen in retail in recent years.

The stock has already declined more than 12% over the past 12 months, and if it's not able to keep growing, it could fall even further. Although it's not as highly valued as the other stocks on this list, at seven times its book value and 22 times earnings, it's far from a cheap buy.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:ATZ (Aritzia Inc.)
4. TSX:GOOS (Canada Goose)
5. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date
2025/08/21
Date Created
2019/10/12
Author
djagielski