



## 2 Overbought Stocks That Could Plunge at Any Moment!

### Description

There are instances in the stock market where buying pressure feeds on stocks. When a [bullish sentiment](#) or trend is developing, you will notice the upward movement of the stock price. If the upward pressure persists, traders warn of an overbought stock.

The term *overbought* refers to stocks whose prices have gone up beyond what is reasonable. Likewise, the short-term or recent movement indicates that the stock is trading above its intrinsic value. Thus, traders anticipate a price correction or a downward price reversal.

**AltaGas Canada** (TSX:ACI) and **Toromont** ([TSX:TIH](#)) are displaying signs of overbought stocks. The prices of both stocks could plunge, so you might want to hold off investing in them.

### Peaking stock

AltaGas Canada has been on a tear lately. The share price of this \$1 billion natural gas distribution utility company has been climbing since October 18, 2019. Its price was \$25.50 before rising by 30% to \$33.15 on the following trading day.

The price then rose in each of the following eight trading days to close at \$33.52 on October 31, 2019. On the first trading day of November, however, the price slid to \$33.49. The growing number of consecutive days of a stock price moving in the same direction is also indicative of an overbought stock.

On a year-to-date basis, AltaGas Canada is up 114% year to date. Shareholders should be happy with the price appreciation in addition to the 3.1% dividend. We'll see in the next trading sessions if the price has gone up too far and if a price pullback is imminent.

The price could hold as the renewable energy and utility segments of AltaGas Canada are rate-regulated services that generate stable cash flows.

## Surging stock

Toromont is a well-known dealer of **Caterpillar** heavy equipment. This \$5.57 billion company is the provider of specialized capital equipment and operating in two business segments — Equipment Group and CIMCO. Its primary clients are in Canada and the U.S., although the company services other international markets.

Of late, the stock has been moving very much like AltaGas Canada. On October 18, 2019, the stock was trading at \$65.02. The price rose by 0.87% on the next trading day. The price increased in each of the nine succeeding trading sessions culminating on November 1, 2019.

Unlike AltaGas, Toromont's increase continued past the end of October. Let's wait for the next trading week to see if the stock can sustain its [upward momentum](#). The signs of an overbought stock are clear.

Again, shareholders should be happy with the price appreciation plus the 1.6% dividend yield. So far this year, Toromont is up 27.5% year to date. The price might be going up because growth estimates this year and the next are favourable. The company expects 11.9% and 13% growth in 2019 and 2020, respectively.

## Price forecasts

Instead of looking at the high estimates of analysts, it's interesting to find out the low estimates. AltaGas could drop to a low of \$25 while Toromont could slide to \$64. Still, these are estimates with a 50/50 chance of occurring.

AltaGas Canada and Toromont have been performing creditably in 2019. Both companies might be showing their true worth contrary to the description of overbought stocks.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:TIH (Toromont Industries Ltd.)

### PARTNER-FEEDS

1. Business Insider
2. Msn
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