Warning: 2 Stocks That Sent Off Sell Signals Over the Last Month

Description

The S&P/TSX Composite Index rose to record highs in 2019, and it has gotten off to a good start in 2020. This has been a great environment for investors, but we also need to watch out for valuations, as this market cycle reaches maturity. Many TSX-listed companies have reached all-time highs over the past few months. Today, I want to look at two that look either too pricey to touch right now or ripe for shareholders to take profits in.

Mainstreet Equity

Mainstreet Equity (TSX:MEQ) is a Calgary-based real estate company. In late 2019, I'd discussed why young investors should consider real estate equities over the real thing. This held especially true over the past decade, which saw some of the biggest gains for REITs and residential properties. Shares of Mainstreet Equity have climbed 82% year over year as of early afternoon trading on January 10.

The company released its fourth-quarter and full-year results for 2019 on December 9. It posted same-asset revenue growth of 8% and same-asset NOI growth of 9%. Mainstreet Equity made $129 million in new acquisitions in 2019, as total apartments units rose 10% year over year. The company has said that oil market volatility and an uncertain political climate are its top obstacles in 2020. This is especially true in its home province of Alberta, which bore the brunt of the oil price shocks over the past few years.

Shares of Mainstreet Equity hit a 52-week high in late December. The stock was in technically overbought territory for much of November, December, and early January. It possesses a consensus forward price-to-earnings ratio of 26 according to *Morningstar* analysis. I like Canadian real estate to continue to stabilize this decade, but Mainstreet Equity looks too hot to touch right now.

Morneau Shepell

Morneau Shepell (TSX:MSI) is a human resources services and technology company that is headquartered in Toronto. The stock has increased 28% over the prior year at the time of this writing. It may come as some surprise, but the human resources technology sector is an exciting and fast-growing global market. This makes Morneau Shepell an attractive long-term target, but it did send off a sell signal in recent weeks.

Investors got a look at its third-quarter 2019 results back in November. Revenue rose 22.5% year over year to $224 million in Q3 2019, and adjusted EBITDA climbed 28.9% to $43.8 million. Morneau Shepell has posted impressive organic growth in its U.S. operations, and it benefited from its Lifeworks and Mercers acquisitions. In the year-to-date period, revenue has increased to $641 million over $521 million in the prior year.

Shares of Morneau Shepell rose steadily after its Q3 2019 earnings release. The stock went into technically overbought territory in early December but has since retreated and now possesses an RSI of 54. This puts it on neutral footing. However, it does boast a sky-high price-to-earnings ratio of 113 at the time of this writing. I still love Morneau Shepell in the long term, but value investors may want to wait on the sidelines for a more attractive entry point.

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