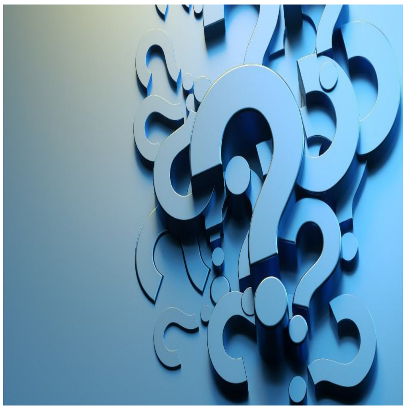

When Should Investors Buy Cargojet Stock?

Description

Today, we're going to look at a strategy that can help Canadian investors weather any storm. You've probably heard the phrase "buy low, sell high" a thousand times. Well, let's take a look at a variant of that very simple thesis and see how you can put it to work in your own stock portfolio.

Build into weakness and trim into strength

It seems simple on the face of it — and it is. But there's more to the build-and-trim thesis that at first meets the eye. Let's take a look at that first part first of all — the "build" part. It could be the case that there is a name that you want to own – or perhaps one that you already own but would like a bigger stake in. Instead of buying your whole position in one go, split it up and build your position over time.

For instance, **Cargojet** (TSX:CJT) is a solid company to own, but it's clearly overbought at the moment. This is a strong name to hold in a portfolio for the long term, though, so investors may want to add it to a watch list. By gauging entry points, would-be shareholders in Cargojet — or any overvalued stock, for that matter — can determine at which price they would want to own it.

Selling at $164 a share, Cargojet is considerably more expensive than its consensus median estimate price of $145. Its low target price of $120 suggests an ideal entry point — though, given the essential nature of supply chains, Cargojet is unlikely to fall that far. Instead, investors should keep cash on hand to build a position slowly during market selloffs.

Buy stocks in stages as the market weakens

The next step would be to ascertain what size of a position to own. Now take that position and break it down into segments. Buy these packets of shares during stages of market weakness. This way, investors can build a position without waiting for the bottom. A market decline will always generate value opportunities. Over time, a shareholder who builds in stages during a downturn will own a larger position, but at a reduced overall cost.

Conversely, investors can trim an underperforming name from a portfolio in stages, too. Shareholders can do this by determining what amount of upside is the trigger point to sell at. Analysts' price target consensuses offer a way to figure out these kinds of trigger points. For instance, if you wanted to reduce your exposure to Cargojet, rather than increase it, now would be a good time to trim it from a portfolio.

Indeed, exposure is key here. The number of strongly resilient asset types has effectively shrunk during the pandemic. Canadian investors should therefore be extra sensitive to how much weight each sector carries in their portfolios. Owning a spread of names in any one sector doesn't necessarily increase diversification. In fact, by holding too many names, investors increase the risk of overexposure. Instead, aim to hold larger positions in a few top names.

CATEGORY

1. Investing
2. Stocks for Beginners

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:CJT (Cargojet Inc.)

PARTNER-FEEDS

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

Category

1. Investing
2. Stocks for Beginners

Tags

1. Editor's Choice

Date
2025/08/23
Date Created
2020/07/10
Author
vhetherington