



## OVERVALUED: Why I'd Avoid 3 TSX Stocks That Doubled During COVID-19

### Description

There is a growing disconnect between economic fundamentals and the recent stock market rally. While the number of active coronavirus cases is accelerating, global equities have continued to soar higher. The **TSX** at large has surged more than 45% since March lows, marking one of the best recoveries on record.

What's more concerning is, some riskier stocks went too far recently, despite the gloomier growth outlook. Let's look at three such TSX stocks that might see a notable downward pressure in the short term.

### Top TSX stock: BRP

Shares of the recreational vehicle maker **BRP** ([TSX:DOO](#))([NASDAQ:DOOO](#)) have been on a roll during the pandemic. They have more than tripled since its March lows. However, valuation concerns and a weaker earnings outlook could make it hard to sustain the rally.

The pandemic and travel restrictions could significantly dent BRP's business, at least in 2020. Fear will likely dominate and weigh on discretionary spending, which could further add to BRP's woes. Analysts expect it to report a loss in the second quarter, which will be released later in August. The stock looks to be trading at a significant premium against its historical average.

A \$5.4 billion company, BRP operates in more than 120 countries and has a leading market share in watercraft and snowmobiles. It derives 54% of its total revenues from the U.S., while 30% comes internationally and the rest from Canada.

The company is fundamentally strong and its solid market position will help make it for the long time. However, near-term challenges could weigh on its overvalued stock.

### Top TSX stock: Ballard Power Systems

The fuel cell maker **Ballard Power Systems** ([TSX:BLDP](#))([NASDAQ:BLDP](#)) is another such stock. It soared more than 160% in the second quarter before falling 40% in July alone. However, despite the recent decline, Ballard Power stock looks notably overvalued and could see prolonged weakness.

Cleaner energy options like hydrogen fuel cells indeed offer attractive growth prospects. However, technological developments could take years before these alternative sources actually turn cost effective.

Ballard Power is not expected to become profitable anytime soon. Its forward price-to-revenue multiple comes around 40 times. That's way higher for a company that has a significantly volatile top-line growth.

## Top TSX stock: Pan American Silver

[Precious metals have had a solid run](#) this year, with gold soaring 28% and silver gaining 35% so far. However, some mining company stocks have gone too far recently. Shares of **Pan American Silver** ([TSX:PAAS](#))([NASDAQ:PAAS](#)), one of the world's biggest silver producer, have soared almost 60% year to date.

Pan American's earnings grew by a massive 160% year over year in 2019. However, it plunged to a loss in the first quarter of 2020. The earnings growth momentum it saw last year might not continue due to [lower production](#) this year.

Interestingly, bullion will likely continue its uptrend at least in 2020, given favourable macroeconomic developments. But silver could lessen its shine compared to gold, as it's an industrial metal.

Top TSX stock Pan American Silver is currently trading approximately 80 times its 2020 earnings estimates. This is substantially overvalued and could limit its upside from current levels.

Broader stock markets already look overvalued after their recent rally. These three TSX stocks are all the more expensive and might see an exaggerated impact on the stock in case of a market downturn.

### CATEGORY

1. Coronavirus
2. Investing
3. Metals and Mining Stocks
4. Stocks for Beginners

### TICKERS GLOBAL

1. NASDAQ:BLDP (Ballard Power Systems Inc.)
2. NASDAQ:DOOO (BRP Inc.)
3. NYSE:PAAS (Pan American Silver)
4. TSX:BLDP (Ballard Power Systems Inc.)
5. TSX:DOO (BRP Inc.)
6. TSX:PAAS (Pan American Silver Corp.)

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