3 TSX Stocks to SELL Ahead of a Market Crash

Description

Positive year-on-year share price appreciation is a good indicator of an outperforming stock. Scanning through the **S&P/TSX Composite Index**, it's easy to see which names have tanked since last year and which have soared. Contrarianism is driving interest in thoroughly chewed-up sectors. But the other side of the contrarian thesis has been getting somewhat less airtime.

Today, we will focus on three names that have been driven to dizzying heights since last year thanks to the ravages of the pandemic. These stocks are **Shopify** (TSX:SHOP)(NYSE:SHOP), **Barrick Gold** (TSX:ABX)(NYSE:GOLD), and **Canadian Pacific Railway** (TSX:CP)(NYSE:CP). Let's examine why a market correction could spell danger for these three popular stocks.

The case for contrarian selling

CP Rail has gained around 47% in the last 12 months. Take a step back and peruse the history books, and any investor will see that this is quite the leap. Railways are classically low volatility. A 36-month beta of 0.67 bears this out. That's why a share price jump by a third puts CP Rail's valuation in tenuous territory. A market correction could see those gains wiped out, making now the right time to consider trimming.

Barrick Gold's share price could be in danger on two fronts. First, a pullback in gold could come from a punctured "pandemic momentum" bubble. Yes, gold is classically low risk, and 2020 has seen reason upon reason mounted in favour of stashing precious metals stocks. But some of that growth has come from an arguably unreasonable bullishness in the markets that has divorced equities from economic reality.

The other front that could pose a problem for Barrick is "billionaire backlash." It's become something of a trend to cast aspersions on the opinions of Warren Buffett. This year brought the revelation that the **Berkshire Hathaway** frontman had done a U-turn and buried himself in gold. Barrick shares saw an uptick on the news. But a Buffett backlash could undo some of those 67% year-on-year gains.

Another tech stock selloff?

Then we come to Shopify, the great Canadian success story. Shopify is ripe for plucking at its current valuation, running on fumes from this year's devastating economic shutdown. While the pandemic appears to be far from over, the fact that Shopify's fortunes seem partially tied to its continuation should give pause for reflection. The contrarian thesis? Eat this Thanksgiving bird while it's nice and plump.

Indeed, a market correction could see Shopify lose some of those 227% 12-month gains. So too could a vaccine breakthrough. Two key names in Big Pharma have seen their trials paused in the past week. But that shouldn't deter investors bullish on a vaccine rally from optimizing their stock portfolios for a recovery. And as we have seen before, vaccine hopes can have a deleterious effect on tech stocks.

Indeed, the less the market expects a vaccine, the harder pro-pandemic stocks are likely to be hit by a breakthrough. That makes the current air of disappointment particularly dangerous. Shareholders should expect a curveball and consider trimming overvalued tech. Gold and logistics stocks could similarly be in danger, both from a recovery and from a broad selloff in the markets this fall.

CATEGORY

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TICKERS GLOBAL

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2. NYSE:CP (Canadian Pacific Railway)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:ABX (Barrick Mining)
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