



Canada Revenue Agency Issued Warning Letters to Some Canadians

Description

While the Canada Revenue Agency (CRA) recently warned around 213,000 prior CERB recipients that they may have received a double payment. The CRA may not ask for their money back right away, but it's still a wise idea to set the overpayment amount you received aside to avoid getting dinged with penalties in the new year. If you spent the CERB overpayment accidentally, you're probably not alone. Many Canadians were in a personal financial crisis as a result of the [COVID-19 pandemic](#).

If you're [fully invested](#), I mentioned in a prior piece that now may be a great time to take some profits in some of your biggest winners while the markets are still running hot over the promising vaccine news, the U.S. election result, and Janet Yellen who's reportedly Joe Biden's top pick for the U.S. treasury secretary.

We've had a lot of market-moving news lately. Still, after a +10% pop in the stock market in just under a month, it's only prudent to think about taking a bit of profit off the table, especially if you think you may have received a CERB overpayment from the Canada Revenue Agency.

Take some profits before CRA comes knocking

If you accidentally spent the CRA's CERB overpayment amount, now's a great time to take profits in names such as **Magna International** ([TSX:MG](#))([NYSE:MGA](#)) before they have a chance to pullback in a big way. The super-cyclical auto-part maker has more than doubled off its March lows.

The company crushed analyst expectations earlier this month, clocking in third-quarter EPS numbers of \$1.95, well above the consensus that called for \$1.37. With the stock coming in so hot, though, I'd say now is a great time to take profits before the momentum has a chance to reverse course.

At the time of writing, MG stock trades at 0.6 times sales, 7.5 times cash flow, 1.81 times book value, and 10.93 times EV/EBITDA, all of which are considerably higher than that of the stock's five-year historical average multiples of 0.46, 5.64, 1.6, and 5.5, respectively.

The stock is by no means expensive on its own. Still, with shares sporting multiples at the higher end

of their historical range, I'd say the risk of a vicious crash is pretty high, especially given the likelihood that the excessive amounts of froth from electric vehicle (EV) makers may have spread to Magna.

"The outlook for Magna is decidedly rosy. With a projected 72% annual earnings growth pencilled in for the next couple of years, this name could suit a growth stock strategy. In terms of value, Magna's 48% discount off its fair value means that this name also qualifies as a value pick.

Its market ratios tell a different story, though, with a P/B ratio of 1.7 times book suggesting intrinsic overvaluation," wrote fellow Fool Victoria Hetherington.

There's no question that being in a cyclical before a bull run can result in outsized gains. At the same time, high expectations (and MG stock's valuation) are the highest they've been in quite a while. Unless you're confident that we can recover quickly from the coronavirus recession, I'd be more inclined to sell the stock rather than buy more, especially if you need to raise cash to meet other financial obligations.

Foolish takeaway

If you're looking to raise money to pay back the CRA, look to hot stocks that have overvaluation written all over them. Magna strikes me as an expensive cyclical that may not be worth the risks at this juncture.

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