



Market Crash: If You Own These Stocks, it's Time to Trim

Description

The **Dow Jones Industrial Average** just ended its [best month](#) since January 1987 (a historic bounce that preceded the great market crash of 1987) and the best November since 1928. The slew of vaccine news gave a lift to the markets, sending major indices up by double-digit percentage points.

What a sweet November it was.

With the more-favourable-than-expected U.S. election result, dovish ex-Fed chair Janet Yellen to take the role of U.S. Treasury Secretary, and a potential end to the pandemic in 2021, I'd imagine that many previously nervous investors are warming up to the idea of putting everything on stocks, even after the historic November bounce.

The next market crash could be a doozy

With valuations that have been stretched over a very concise timeframe, though, many investors betting on a continuation of the market's newfound momentum may be in a spot to take on a brunt of the damage should we be due for a reversal or some sort of Santa Claus sell-off. There's no question that a huge weight of uncertainty has been lifted from the shoulders of this market in early November.

That said, there are still some uncertainties up ahead. With greed as the new aura in the air, such uncertainties may be discounted by overly complacent investors who are betting as though the pandemic has already concluded. If we run into some negative surprises, the market reaction could have the potential to be vicious, given the recent sentiment reversal we witnessed as we transitioned from a spooky October to the very sweet November.

Will we witness another 180-degree sentiment reversal now that the page has turned on the month? Santa Claus rallies tend to propel stocks higher in the final month, don't they?

After a historic November, I'd be unsurprised if we're due for one final market crash. Analysts at Morgan Stanley seem to think this market is ripe for a sharp correction. Given the now overextended valuations and how less effective those high-efficacy COVID vaccines have become at propelling

stocks higher, I'd say it'd only be prudent to take at least some of your profits off the table after the **TSX Index** soared over 10% on the month.

What should you be a seller of?

You could ditch your biggest winners of the year like **Shopify**, which could be most vulnerable to a market crash or correction. Or you could take profits on a name like **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) on its recent bout of strength if your portfolio is overexposed to the ailing energy patch.

I'd pounded the table on Suncor Energy stock back when shares were trading at \$15. After the vaccine-driven rally past \$22, I think the name is at a high risk of retracing back to the teens, given continued negative sentiment on the fossil fuel plays.

Make no mistake; Suncor stock is still pretty darn cheap at just a hair shy of one times its book value. But after Monday's 7.3% plunge, as COVID-hit winners took several steps back, I think the stage may be set for COVID recovery plays, including dirt-cheap energy stocks like Suncor, are looking overdue for a pullback.

A 1987-style market crash coming?

Could this historic November rally be reminiscent of January's bounce that preceded the 1987 market crash? Only time will tell. But I certainly wouldn't take Morgan Stanley's correction warning lightly, given how quickly fear had turned from greed. I'd look to take a bit of profit off the table on some of the biggest COVID recovery plays that soared last month. Think [Air Canada](#) and Suncor, which could be vulnerable to a significant retracement before their next sustained move higher.

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