



Market Crash: 2 Stocks High on Investors' Tax-Loss Selling List

Description

Positive vaccine news has triggered rallies in cheap stocks that were pressured by the pandemic. The rallies in these stocks can crumble in an instant.

There are near-term risks such as potential delays/hiccups in vaccine distribution or maybe vaccine programs won't be as effective as expected. If these risks play out, these stocks will sell off.

Investors who'd bought at a low in these stocks can take profits. Those who bought at pre-pandemic levels might also [perform tax-loss selling](#) before the year ends.

Market crash in penny stocks coming soon?

Penny stocks are the highest on the tax-loss selling list. Some investors aim to buy and sell stocks for quick profits. There's a much higher percentage of such investors in penny stocks.

These investors are unlikely to hold these stocks into the new year because so much can happen until then, especially when it comes to high-risk penny stocks.

Based on volume, the hottest penny stocks on the **TSX** are **Bombardier**, **Hexo**, **Crescent Point Energy**, **Trevali Mining**, and **Supreme Cannabis Company**. All five stocks have a downward trending 50-day simple moving average (SMA). Three out of five trade at or below this short-term SMA. So, their technical charts don't look too good.

Some of these stocks have experienced nice rallies from lows this year. If you're sitting on nice gains in your penny stocks. You should review them and consider booking profits, *before* the masses, ahead of [tax-loss selling season](#).

Oil and gas producers can fall hard, too

Other than penny stocks, oil and gas producers are also subject to another market crash, especially

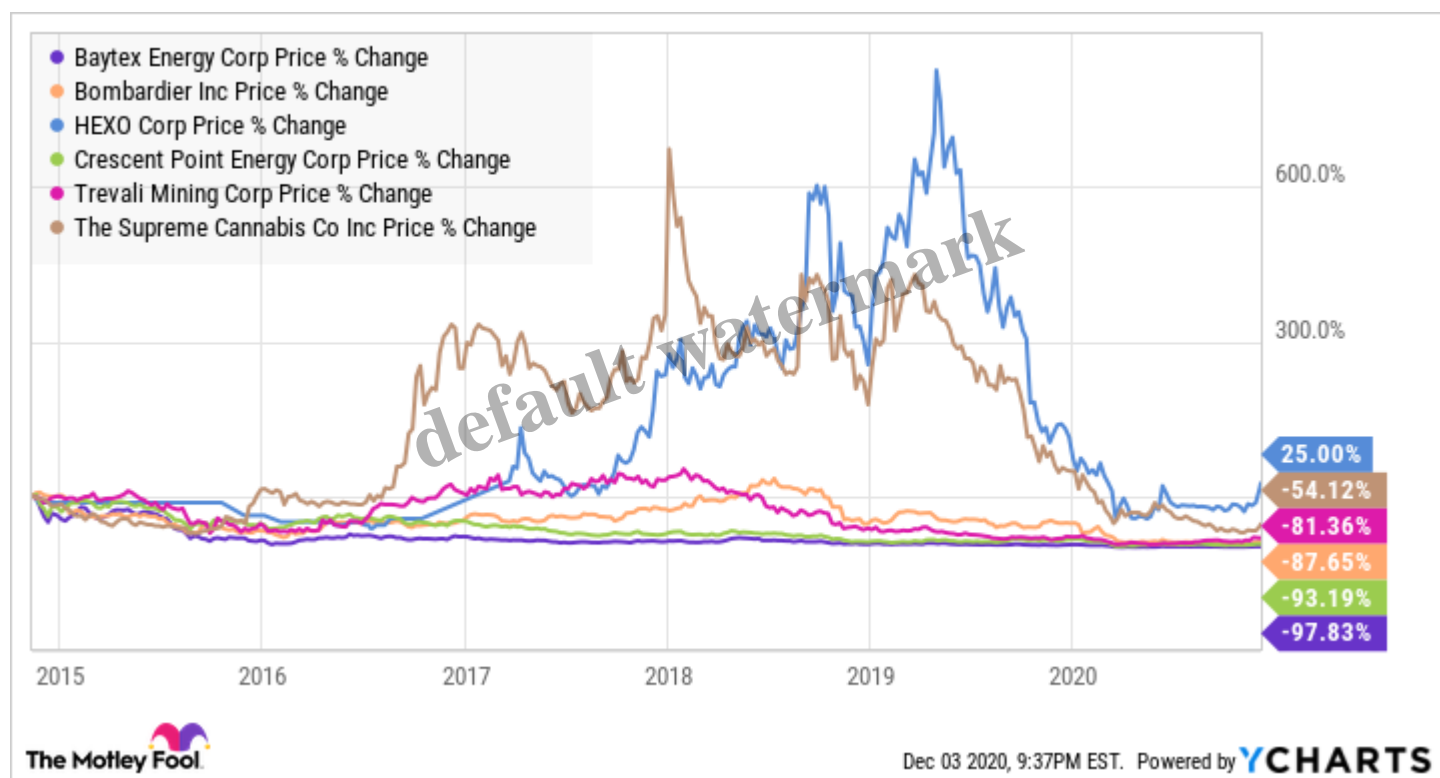
the ones with poor balance sheets.

Here's an oil and gas producer that's also a hot penny stock, which makes it doubly *dangerous*. **Baytex Energy** ([TSX:BTE](#))(NYSE:BTE) takes sixth place on the hottest penny stock on the TSX.

Oil and gas producers like Baytex have highly unpredictable earnings due to the volatile prices of the underlying commodities.

For your convenience, I put together a 10-year price chart of Baytex and the five penny stocks discussed above. One look at the graph and you can tell they're not ideal buy-and-hold investments.

They're largely plagued with speculative investors who jump in intending to buy at a low point and sell at a higher point for quick gains.



Data by YCharts. The 10-year price chart of six penny stocks.

Specifically for BTE, it doesn't have the best of balance sheets. **S&P** deems it non-investible with a credit rating of B. (BBB- implies investment grade.) So, investors who buy are really gambling for higher commodity prices or the vaccine rally to continue.

Interested investors should be very cautious after the stock's recent rally of 70% from late October.

The Foolish takeaway

Investors have got to tread super carefully around penny stocks and oil and gas stocks. Most of these stocks are horrible investments. Notably, some of these stocks have experienced incredible rallies in the last month or so. It's therefore time for utmost caution.

If there's negative pandemic news or hiccups in the execution of vaccine programs, another market crash in these stocks could be fast approaching.

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TICKERS GLOBAL

1. TSX:BTE (Baytex Energy Corp.)

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