



Market Crash: If You Own These 2 Stocks, It Might Be Do Some Profit-Taking

Description

As the stock market looks to stage a [Santa Claus rally](#) next week, investors would be wise to temper their expectations, as the COVID-19 vaccines' effect on the broader markets loses more of its potency.

With a last-minute U.S. stimulus agreement reached by Congress on Sunday, all eyes will be looking to the light at the end of this very dark tunnel. While most pundits would agree that the pandemic's end could be on the horizon, one must never discount the occurrence of negative surprises or any bumps in the road between now and the day the insidious coronavirus gets eliminated.

While stocks could continue roaring higher, I wouldn't rule out another market crash or correction over the coming months. The stock market may take a few steps back, as isolated bubbles, like within the electric vehicle (EV) market, look to burst alongside the appetite for speculation.

While some folks may see a frenzy in the stock market, I ultimately believe that disciplined investors who resist the fear of missing out mentality by staying in their late will mostly be spared once Mr. Market corrects any pockets of severe overvaluation.

This piece will look at two names that I think have risk/rewards that are less than appealing after staging magnificent runs in 2020. Consider **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Ballard Power Systems** ([TSX:BLDP](#))([NASDAQ:BLDP](#)), two of the hottest **TSX** plays in recent months. The former name was riding high on pandemic tailwinds, and the latter was propelled by the euphoria that drove EV makers to unfathomable nosebleed-level valuations.

While both stocks could continue to defy the laws of gravity, I wouldn't want to be caught holding either if growth stocks were to take a backseat to value.

Shopify

Shopify is a Canadian e-commerce kingpin that needs no introduction. The stock took a beating back in February and March before kicking off an epic rally that saw shares more than triple. The firm was one of the more prominent pandemic beneficiaries.

While the pandemic-induced change in consumer habits is likely to skew digital once the pandemic is over, I think investors should be wary over a re-valuation in the stock due to fading pandemic tailwinds.

Moreover, the stock has an absurd price-to-sales (P/S) multiple that's just shy of 60x at the time of writing. While Shopify stock will likely never be anything short of expensive, the downside risks are severe should the firm post anything short of a blowout in its coming quarters.

If you've just got a bit of skin in the game, I'd continue to hold. If you've become overweight in the stock, it may be time to do a bit of profit-taking, as growth stocks probably won't be nearly as hot in 2021 as they were in 2020.

Ballard Power Systems

Ballard is a fuel-cell designer that's been one of the TSX's sexiest plays for young investors of late. While the technology is undoubtedly incredible, I cringe at the stock's valuation and worry that the name could be brought down alongside EV makers that could be overdue to fall off a very sharp cliff.

At the time of writing, Ballard stock trades at over 51 times sales. While Ballard's growth prospects may be as profound as they are unfathomable, I can't justify a purchase of a name with such a hefty multiple. I'd much rather wait for the EV market to be corrected by Mr. Market before I'd consider initiating a position in a "green future" play like Ballard.

With Ballard stock breaking out, I'd only invest in the name if you're willing to run the risk of feeling the full impact of a potential reversal. While the stock is not for the faint of heart, it's a name that's worthy of [adding to your radar](#) for future consideration.

CATEGORY

1. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:BLDP (Ballard Power Systems Inc.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:BLDP (Ballard Power Systems Inc.)
4. TSX:SHOP (Shopify Inc.)

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