2 High-Priced Stocks to Sell Before a Market Crash

Description

With the S&P/TSX Composite Index regaining strength, investors are looking for great investment ideas. However, you can't be too complacent with your choices, because a market crash could send their prices tumbling. **Shopify** (TSX:SHOP)(NYSE:SHOP) and **Imperial Oil** (TSX:IMO)(NYSE:IMO) are surging of late but are not necessarily the top buys. If you own either stock, it might be better to sell these high-priced stocks before the next downturn.

Market leader

For two years in a row, Shopify made it to the Top TSX30 list. In 2019, the company ranked second, while it ranks number one in the 2020 edition. The feat is incredible indeed, as it catapulted the cloud-based multi-channel commerce platform to greater heights.

Shopify, with its $191.18 billion market capitalization, is the TSX's largest publicly listed company. Canada's banking giant, **Royal Bank of Canada**, has been relegated to the second spot. In 2020, the tech stock's performance is short of phenomenal.

Investors are winning by 204% year to date. Had you bought $20,000 Shopify shares when it tanked to $493.23 on April 2, 2020, your money would be worth $63,588.29 today. If you're only investing now, the share price is a stiff $1,568.19. Holders should consider selling, because the sales surge and momentum could end soon.

Despite strong results in the most recent quarter, Shopify warns that the 2020's huge pandemic-related gains in 2020 may not continue. Management did not provide a financial outlook for the fourth quarter or full year 2020, citing macroeconomic uncertainty.

Gaining traction, but not quite

With the energy sector gaining traction recently, Imperial Oil is emerging as an attractive option. From a COVID low of $12.92 on March 27, 2020, it has rallied 89%, closing at $24.45 on December 24,

2020. However, the stock might tank with the company's largest impairment is coming soon.

Imperial Oil bared plans to discontinue the development of its unconventional portfolio in Alberta following the re-evaluation of the long-term development plans. Expect the company to post a non-cash, after-tax impairment charge of up to $1.2 billion in the fourth quarter once the non-producing, undeveloped assets are taken out from the development plans.

Exxon Mobil owns 69.6% of Imperial Oil, and it faces non-cash, after-tax impairment charges of $17 to $20 billion in Q4 2020. It also plans to remove some underperforming natural gas assets from its development plans. Cost-controlling measures are also in place at Imperial Oil.

The $17.95 billion producer and seller of crude oil and natural gas in Canada is economizing. Imperial Oil is cutting spending by $1 billion — $500 million reductions in each in capital spending and operating expenses — on account of lower energy demand. A streamlining of the workforce would mean a layoff of nearly 200 of the 6,000 total employees.

No compelling reasons to keep

On December 24, 2020, a day before Christmas, Shopify shares gained by another 2%. No doubt the super stock is exceedingly expensive, trading at 50 times revenue. Likewise, the valuation is sky high. A pullback or significant correction might be imminent after the holiday season.

While Exxon Mobil backs Imperial Oil, there's no compelling reason to keep the stock. Expect the substantially lower earnings and operating cash flow trend to spill over in 2021. The business environment on supply and demand should improve first before it becomes a viable option.

CATEGORY

1. Energy Stocks
2. Investing
3. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. NYSEMKT:IMO (Imperial Oil Limited)
3. TSX:IMO (Imperial Oil Limited)
4. TSX:SHOP (Shopify Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred

5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Energy Stocks
2. Investing
3. Tech Stocks

Tags

1. Editor's Choice

Date
2025/07/19
Date Created
2020/12/28
Author
cliew