Market Crash 2021: 3 Stocks to Sell Today

Description

The **S&P/TSX Composite Index** rose 51 points on January 12. Canadian stocks have continued to build momentum into the new year. Still, Canadians should be wary of the risks in what looks like an overheated market. Last year, I'd discussed dividend stocks that were worth snatching up in the event of a market crash. Today, I want to zero in on three stocks that look overstretched in this environment. Stockholders may want to consider taking profits in these equities.

These stocks look pricey in this overheated market

Saputo (TSX:SAP) is a Montreal-based company that produces, markets, and distributes dairy products in Canada and around the world. It is one of the largest dairy producers on the planet. Its shares have dropped 3.5% year over year as of close on January 12. However, the stock has increased 6% over the past three months. Traditionally, Saputo is a solid defensive option, but it has recently flashed sell signals. Investors should be wary of this stock if they fear a market crash.

In Q2 2020, the company saw revenues increase 1% year over year to $3.70 billion. Meanwhile, adjusted EBITDA fell 6.1% to $370 million. Net earnings fell marginally from the prior year.

Shares of Saputo last had a price-to-earnings (P/E) ratio of 24 and a price-to-book (P/B) value of 2.3. Moreover, the stock started the week with an RSI of 65, just outside technically overbought territory.

Whitecap Resources (TSX:WCP) is the second stock investors should be wary of in this market. The Calgary-based company acquires and delivers petroleum and natural gas properties in Canada. Energy stocks have been hit hard by the COVID-19 pandemic. Oil and gas prices were pummeled in the face of plunging demand and worsening OPEC rivalries. However, prices have rebounded in late 2020 and in the early part of 2021. Shares of Whitecap have climbed 102% over a three-month span.

The stock has a high P/B value of 3.5 and last had an RSI of 63. It has hovered around technically overbought territory since the beginning of November.

Freehold Royalties (TSX:FRU) is another energy stock I'm wary of, as I ponder the chances of a market crash in 2021. Freehold is an oil and gas royalty companies with working interests in oil, natural gas, and potash properties in North America. Its shares have already climbed 15% in 2021. The stock is up 68% over the last three months.

This stock boasts a solid balance sheet and a favourable P/B value of one. However, it last possessed an RSI of 74. That puts Freehold well into technically overbought territory. Moreover, its previously strong dividend yield has fallen significantly due to the ongoing crisis.

What stocks should you buy in a market crash?

While these stocks look overheated in this environment, there are equities I'm bullish on, even in the event of a market crash. Grocery retailers proved extremely resilient during the pandemic in 2020. **Empire Company** (TSX:EMP.A) has been one of the best performers in this space in recent quarters. Its stock has dropped 9.9% over the last three months. Empire possesses a favourable P/E ratio of 14. Now is a great time for value investors to jump on Empire.

Empire released its second-quarter fiscal 2021 results on December 10. It delivered same-store sales growth of 8.7%, excluding fuel. The company saw food retailing net earnings post 27.3% growth. Meanwhile, e-commerce sales soared 241%. Empire is a top option in this promising space. Those worried about a market crash should scoop up this stock right now.

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2. TSX:FRU (Freehold Royalties Ltd.)
3. TSX:SAP (Saputo Inc.)
4. TSX:WCP (Whitecap Resources Inc.)

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aocallaghan