2 TSX Stocks That I Recently Sold

Description

The stock market is getting pretty expensive, so now may be a great time to think about taking at least a bit of profit off the table. The following names, I believe, are at a high risk of retreating over the coming months and are top candidates to trim if you've yet to do so after this glorious rally.

Without further ado, let's have a closer look at each sell candidate to see which, if either, is the best name to sell before the next correction, which will probably hit when we least expect it to.

Canadian Tire: A resilient retailer with too hefty a price tag

Canadian Tire (TSX:CTC.A) proved the doubters wrong in a big way last year. The iconic Canadian retailer held its own far better than most expected. With one of the best balance sheets out there, I suspect the name will continue firing on all cylinders in spite of mounting pandemic headwinds.

With newfound strength in its e-commerce business, I suspect Canadian Tire will rise out of this pandemic in a profound position of strength, both on and offline. That said, Canadian Tire stock is running up against a strong ceiling of resistance, and I don't think it'll break through it, given all the optimism that's baked into the share price.

Yes, Canadian Tire did an incredible job of overcoming COVID pressures, but I find the valuation is a tad stretched and think shares are at high risk of a steep retracement after soaring 140% off its March lows. The stock trades at 2.6 times book value and 18.1 times trailing earnings, both of which are above their five-year historical average multiples of 14.7 and 2.15, respectively. CTC.A stock is even more expensive than in normalized conditions, which I don't think makes much sense, even given the retailer's demonstrated resilience in the face of crisis.

Shaw Communications: Intense competition

Shaw Communications (TSX:SJR.B)(NYSE:SJR) is a recent underperformer that's been hit in the face by intense competition in the Canadian telecom scene.

While Shaw's wireless business Freedom Mobile is posting strong growth thanks in part to its solid value proposition, recent wireline numbers (the real needle mover for Shaw stock) appears to be a major cause for concern. The wireline segment looks to be a major dent in Shaw's armour, and I don't think the weakness can be blamed solely on COVID-19.

Could the competition be too fierce for Shaw to get out of its funk?

Shaw has been bleeding subscribers to its west coast competitor **Telus**, a trend that I don't suspect will end anytime soon, unless Shaw can ramp up its promo offerings to lure customers back. In any case, I think investors should look to sell their Shaw shares until the firm has a solution for its worrisome wireline woes.

Fellow Fool Chris MacDonald seems to think that Shaw could be acquired in 2021. Although Shaw shares look like a smart way to punch your ticket to a shot at outsized near-term gains, I wouldn't recommend investors play acquisition roulette with the name, as considerable competitive pressures are likely to continue weighing on the stock.

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TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:SJR.B (Shaw Communications)

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Date
2025/08/21
Date Created
2021/01/14
Author
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