Canadians: These 2 Stocks Could Plunge in 2021

Description

The stock market rally looks unstoppable, with the broader markets surging fiercely on Joe Biden's inauguration. Some folks view this market as having a lot of froth, and in this piece, we'll have a look at two Canadian stocks that I think are ripe for profit-taking before the next correction has a chance to strike. Now, I have no idea when the markets will pullback, but I do think the following names sport valuation metrics that are too rich for my liking, given their respective headwinds.

Without further ado, consider trimming or selling **Cargojet** (TSX:CJT) and **CIBC** (TSX:CM)(NYSE:CM) if you're light on cash.

Cargojet

Cargojet had an incredible 2020, surging a staggering 225% from its March trough to its November peak. Shares are a tad on the expensive side and look overdue for a steep pullback to around $150. While e-commerce tailwinds have given the stock a boost, investors should be concerned over what's to come once Canadians curb their e-commerce spending and head back to the shopping mall.

Fellow Fool Chris MacDonald seems to think that Cargojet stock will plummet in 2021, with the firm's customer concentration and frothy valuation at the top of his list of concerns.

"There's too much downside volatility with this stock right now, in my view. The numbers don't make sense, and the risks are far greater than the reward. I would encourage investors to be very wary of this stock right now," MacDonald wrote in his prior piece.

While I don't always agree with MacDonald's views, but I'd have to agree with him when he says that Cargojet is a name that faces considerable downside risks in the new year. I'm also not a fan of the valuation and would take it a step further by noting that a potential fading of pandemic tailwinds in the post-COVID world could act as a negative catalyst that could send shares plunging 25%-30%.

CIBC

CIBC outperformed some of its Big Six banking peers in 2020, and it rightfully deserves to be rewarded with a re-valuation to the upside. Shares of the name have typically traded at a substantial discount to its bigger brothers due to its propensity to crumble like a paper bag at the first signs of a crisis. CIBC stock tumbled during the Great Financial Crisis and was very slow to recover.

This time around, CIBC wasn't the worst performer. While the stock still crashed, shares have since recovered in just a matter of months. The management team deserves a round of applause for getting through the worst of the coronavirus crisis. That said, I don't think CIBC deserves to trade at a premium to the likes of some of its peers, most of which I still consider to be superior plays over the long-term.

CIBC is by no means an expensive stock, but the valuation leaves a lot to be desired when you weigh the stock to its Big Six peers. As such, CM stock is my least favourite bank stock to buy at these levels and think it's long overdue for a correction.

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3. TSX:CM (Canadian Imperial Bank of Commerce)

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