



1 High-Flying Stock That Could Put You at Risk

Description

The year 2020 was a great one for gold. The annual change in price for the year was 24.4%, and even though it was a continuation of the price spike that started in 2019, it accelerated in 2020 because of the market crash. Investors flocked to the safe haven material, the price rose, and many gold companies saw their stock price rise quite substantially in the year.

Gold and most gold-related businesses are not your typical recovery stock that only shines in the aftermath of a market crash and aren't worth keeping once the economy stabilizes. Many of them are decent long-term holdings and can be part of your portfolio for decades. But some stocks would serve you best if you sell them once the spike is over, especially if you are anticipating [another crash](#).

This will help you gain liquidity, and the stock will most likely dip before soaring, giving you another good buying opportunity. One stock that might fit this criterion is **Capstone Mining** ([TSX:CS](#)).

A powerful spike

The Capstone mining stock grew over 600% after the market crash, which is quite a growth spurt even within the gold mining sector. And it wasn't a short-term spike. The growth was spread out over the entire 2020 year, and it has started to stabilize just now. It has only seen the first two-week period of almost no growth in the last six months.

While it might not be in the danger zone yet or ready to decline, it indicates a good time to realize your gains from this great growth stock, whether you think that another market crash is coming or not. It might not perform well in a strong economy, and even if another market crash comes, the stock might not be able to replicate its 2020 climb.

The company

This Vancouver-based company has an enterprise value of \$1.5 billion. Though the company is focused on copper and other metals now, it also develops mines where gold is a byproduct. While its

exposure to gold is relatively limited, the stock price patterns indicate that its valuation moves relatively parallel to the gold mining sector.

It has yet to reach the valuation it did in the wake of the great recession, but back-to-back market crashes might not present an ideal situation for this stock. And if you realize your gains now, before the stock dips (if it does) before [another market crash](#), which is becoming a possibility, you might have better options.

Foolish takeaway

One of the things that weaken the argument that it would be better to exit this stock right now is that it's still not overvalued. The price-to-earnings for the next 12 months is expected to be 9.8, and the price-to-books is just 1.1 times. But if you look at the historical share price patterns, you might consider selling this stock when you can still claim a significant profit.

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