



## Chart Watch: Is Sierra Wireless Inc. in a Swan Dive?

### Description

**Sierra Wireless Inc.** ([TSX:SW](#))([NASDAQ:SWIR](#)) is down 30% year-to-date and the extended slide over the past two weeks has put the stock in a precarious position.

Let's take a look at the company to see if investors should hold on for a rebound, or lock in some profits and move on.

### Historical track record

Sierra Wireless is a true tech survivor. In the past 16 years the company has soared to astronomical heights and plummeted to the depths of despair in spectacular fashion a number of times. No doubt, investors and traders have shed many tears of joy and sorrow along the way.

And this time? Well, it doesn't quite feel like 1999 just yet.

Back in the days of the tech bubble, Sierra Wireless rocketed from \$16 per share at the end of October 1999, to \$200 per share at the end of February 2000. Yup, that's no typo— that's a 12.5 bagger in just four months! Three months later, the stock was back down to \$40 and fell below \$3 per share by October 2002. That's a serious case of investor vertigo.

Most tech companies simply roll over and die after that kind of a plunge, but Sierra is a fighter. The stock rallied back toward \$50 in July 2004, but that party didn't last long either, and investors were looking at a \$10 stock once again just seven months later.

For the next decade the shares traded for less than \$25, but last summer the phoenix began to rise once again, surging from \$20 to more than \$56 at the beginning of January. That might have been the peak because the stock has been sliding ever since and now trades below \$39.

Why the long-winded play-by-play?

Investment decisions should be made based on fundamentals, but it is important to also look at technical trends because the charts often signal something is amiss, even if we don't see it in the

company's numbers.

Right now, Sierra is at a pivotal point. Since January, the stock has found support at the \$40 mark three times, but the May 21 close below \$39 could signal the start of a steep drop right down to \$30, which looks like the next support point.

### **Should you buy or bail?**

Sierra is doing a lot of things right. The company is the leader in the new Internet of Things (IoT) space and is slowly building scale through strategic acquisitions. The balance sheet is healthy and revenues have been growing at a respectable clip.

The stock might have just gotten ahead of itself and is finding a new base before continuing its upward trend. It might also be falling victim to other forces.

Sierra is the IoT king, but it is also a very small company when compared with the tech giants that are planning to dominate the IoT space. The market could see this two ways.

First, Sierra becomes a takeover target and investors pick up a nice premium on a buyout. Second, the big boys simply decide to steam-roll right over the company because they have the financial firepower to do so.

I'm not sure which way the story will play out, but the trend is not your friend at the moment and I would avoid buying the stock until it becomes clear the pullback is over.

### **CATEGORY**

1. Investing
2. Tech Stocks

### **TICKERS GLOBAL**

1. NASDAQ:SWIR (Sierra Wireless)
2. TSX:SW (Sierra Wireless)

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