



The Technology Sector Is Cooling Off: 3 Stocks to Buy on the Dip

Description

Technology stocks have cooled off a bit as of late with the **Technology Select Sector SPDR Fund** (NYSEARCA:XLK) down 2.5% since June 9.

While shares in technology companies have given back some of their gains recently, it appears the sector still has momentum on its side; the XLK ETF is still firmly above its 50-day moving average, indicating the bullish trend is still intact.

All of this has created a chance for investors to add to existing holdings on weakness or, alternatively, initiate new positions, “buying on the dip.”

Here are three stocks you may want to consider for the technology portion of your portfolio.

Constellation Software Inc. ([TSX:CSU](#))

Constellation is a provider of software and services, delivering mission-critical software solutions to the public and private markets. Constellation has over 125,000 customers in more than 100 countries, meaning the company is not concentrated in a particular geography, industry, or customer.

While the company is not exactly cheap with a forward P/E of 20.5 times, this is more than offset by the company’s solid track record of growth.

Constellation has grown revenues by an average of 26% annually over the past 10 years, including 14% top-line growth in the past quarter. This trend is expected to continue with analysts calling for 12% top-line growth over each of the next two years.

Open Text Corp. ([TSX:OTEX](#))([NASDAQ:OTEX](#))

Open Text shares are down more than 10% over the past two months, offering an attractive entry point for investors.

The company is a market leader in enterprise information management, helping organizations better

manage their information systems to make smarter business decisions.

OTEX shares are trading at a forward P/E of just 9.8 times, offering investors solid value while offering attractive growth prospects as well; the company generated 34% sales growth this past quarter. This trend is expected to continue with analysts calling for 35% growth next quarter and 25% for the full year.

Macdonald Dettwiler & Associates Ltd. ([TSX:MDA](#))

MDA is a global communications and information company operating in two key markets: communications satellites and surveillance and intelligence.

MDA shares trade at a reasonable 11 times forward P/E and offer a yield of 2.3%.

The company is making a push into the large and lucrative market of U.S. government defence contracts. This included the recent acquisition of **DigitalGlobe Inc.** (NYSE:DGI), which already has an existing book of contracts with the U.S. Federal Government. MDA will be listing its shares on the U.S. market in the near future.

Which should you buy?

All three companies offer enticing characteristics depending on your style of investing.

Constellation Software shares have the most momentum behind them, while Open Text offers an attractive combination of growth and value.

Meanwhile, investors who want to buy in anticipation of a near-term catalyst may opt for Macdonald Dettwiler in their portfolios.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. TSX:CSU (Constellation Software Inc.)
3. TSX:OTEX (Open Text Corporation)

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Author

jphillips

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