Is it Time to Take Profits in These 2 Tech Stocks?

Description

A lot can change in three months in the stock market. In late December, investors were reeling from one of the worst final quarters since the financial crisis. The first two months of 2019 has seen the S&P/TSX Composite Index rise 12.2% as of close on March 1.

Last week, I said that investors should expect some wild turns in March. Canada's big banks have gone through a mixed earnings season, and Q4 GDP numbers came in even lower than expected. The first quarter is also projected to post slow growth. However, economic activity is expected to pick up in the final three quarters of 2019. Murmurs of a trade deal between the United States and China also have investors buzzing.

Today, we are going to look at two stocks that have soared to start 2019. Both are in the small Canadian technology sector. Should shareholders seek to take profits? And should potential buyers sit on their hands and wait for more favourable prices? Let's dive in.

Tucows (TSX:TC)(NASDAQ:TCX)

Tucows stock has climbed 26.8% in 2019 as of close on March 1. Shares have surged 34% over the past three months. In 2018, Tucows reported that revenue rose 5% from the prior year to $346 million. Adjusted EBITDA rose 21% to $50 million.

Tucows looks well positioned to post solid growth in 2019 on the back of performance in Domains and Network access segments. However, the stock is very pricey as of close on March 1. Tucows stock last had a Relative Strength Index (RSI) of 69, which is just outside overbought territory. Shares touched an all-time high of $104.28 in its last trading session.

Tucows has been on an absolute tear since early November. Investors who bet on the stock last year should consider taking profits in March. Those who are looking for exposure to Tucows should stay on the sidelines and await a more favourable entry point.

Shopify (TSX:SHOP)(NYSE:SHOP)

Shopify stock has climbed 34.9% in 2019 so far. Shares are up 44% year over year. In mid-February, I'd discussed Shopify's valuation and concluded that it was pricey immediately following its fourth-quarter earnings release. Pricey or not, Shopify has continued its impressive run into March.

There is justifiable enthusiasm for the company going forward. E-commerce retail growth is expanding rapidly, and Shopify has emerged as a powerhouse that will reap the rewards of the sector's expansion. In 2018, Shopify exceeded $1 billion in revenue as Gross Merchandise Volume (GMV) reached $41.1 billion. This represented a 56% increase from 2017. Shopify reported adjusted profit of $39.2 million, or $0.37 per share, compared to $15.2 million, or $0.16 per share, in the prior year.

Shopify stock last boasted an RSI of 74 as of close on March 1. This indicates that the stock is overbought right now. Shopify has been a top-notch tech stock since its IPO in 2015, but investors need to avoid burning themselves, as it now hovers around all-time highs.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

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2. NYSE:SHOP (Shopify Inc.)
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4. TSX:TC (Tucows)

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Date

2025/06/28
Date Created
2019/03/04
Author
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