Avoid This 1 Rookie Mistake With Your TFSA

Description

Selling tech stocks when they start to fall might seem like a natural (if reactionary) thing to do, especially when there are whispers of a recession in the air. But let's take a look at why holding onto your high-powered tech stocks is a better play, and why joining in with panic selling whenever this industry stumbles is a mistake for TFSA investors.

Two top tech tickers to hold through tough times

It may be a natural knee-jerk reaction to drop overvalued stocks like **Shopify** (TSX:SHOP)(NYSE:SHOP) when the going gets tough, but shedding this high-growth stock early on would be a rookie move. With year-on-year returns of 81.2%, Shopify has the ability to reward in a relatively short time frame.

Shopify insiders have only sold shares in the past three months, with significant volumes of shares being ditched in this manner over the past 12 months; however, if newcomers can look past a P/B of 10.8 times book, a 24.3% expected annual growth in earnings shows that long-term shareholders may be rewarded over the next one to three years.

Five-year returns of 28.7% show that **Sylogist** (TSX:SYZ) is a slow burner when it comes to a payoff. A 30% past-year ROE is significant for a Canadian tech stock, while a solid track record and clean balance sheet make for a low-risk play. While a P/E of 19.1 times earnings and P/B of 5.7 times book show that value is not its strong point, a dividend yield of 3.91% make Sylogist a decent long-term addition to a TFSA.

How does the TSX compare with the NASDAQ?

The stomping ground for the world's favourite tech stocks, the NASDAQ is characteristically choppy at present, with the usual mood swings present in the FAANGs and their contemporaries. After its big media unveiling of various new services, **Apple** (NASDAQ:AAPL) is up 2.71% over the last five days.

Trading at only a few dollars over its future cash flow value, Apple's dividend yield of 1.53% is exceptionally rare for a U.S. tech stock, while a high three-year ROE of 84.6%, carrying over from a past-year ROE of 50%, places Apple squarely in the quality stock column.

Likewise, avoid the herd mentality next time tech stocks like **Adobe Systems** (NASDAQ:ADBE) take a battering and carry on holding. If this stock happens to be in your portfolio, staying invested through a tough patch would be a smart move. One-year returns of 19.8% may not be super significant, though they beat the U.S. software industry and the market.

Two interesting pieces of data further suggest that Adobe Systems might suit a long-term investment: a one-year past earnings growth of 42.9% and five-year average growth of 44.3%. Their similarity suggest a steady-rolling stock backed up by a beta of 1.1 relative to the market.

The bottom line

Long-term investors should hold onto stocks like Shopify in their tax-free savings accounts, as they represent some of the most assured momentum on the TSX index. If you can look past overvaluation (see a P/E of 49.1 times earnings and high P/B of 13.3 times book), a 19.1% expected annual growth in earnings should reward Adobe Systems investors in the mid- to long-term, meanwhile, if American tech is your thing.

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1. Dividend Stocks
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2. NASDAQ:ADBE (Adobe Inc.)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:SHOP (Shopify Inc.)
5. TSX:SYZ (Sylogist Ltd.)

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Date
2025/08/16
Date Created
2019/04/12
Author
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