Shopify (TSX:SHOP) and BlackBerry (TSX:BB): Should You Buy the Summer Dip?

Description

Canadian investors have been treated to a mixed bag in the small **TSX** tech sectors in 2019. Look at **Tucows**, one of the top domain registrars in the world. Shares surged to an all-time high in April of this year. A disappointing earnings report in early May sparked a sharp plunge that likely punished longs that were holding tight.

Today I want to look at two tech stocks that have suffered an early summer dip, though not nearly so dramatic as that of Tucows. Should Foolish investors look to buy the early summer dip in July? Let's dive in and found out.

Shopify

Shopify (TSX:SHOP)(NYSE:SHOP) stock reached an all-time high of $446.40 in mid-June, but slipped below the $400 mark soon after. In typical fashion, the stock has roared back and closed at $409.20 on July 2. Back in April I'd explained why Shopify had room to run on the back of its presence in e-commerce.

Shopify's incredible 2019 run has summoned its fair share of detractors. Famed short-seller Andrew Left of Citron Research has been a consistent naysayer. In a spring research note Left predicted that Shopify would be knocked down to the $100 level in the next 12 months.

Several analysts have downgraded the stock in response to its historic bull run. There is still anxiety over profitability and the competitive threat posed by **Microsoft**, which announced its intentions to aggressively enter the e-commerce sphere.

Shopify still boasts a monstrous valuation in early July. The stock has spent a good portion of 2019 in technically overbought territory. Shares had an RSI of 56 at the time of this writing. Value investors already missed their shot in June. Shopify is a risky high-growth bet that requires a strong stomach. I'm avoiding the stock at its current price levels.

BlackBerry

All the way back in January I'd called **BlackBerry** (TSX:BB)(NYSE:BB) a steal priced under the $10 mark. Shares would rally nicely into the early spring. BlackBerry enjoyed a sharp spike up after the company boosted its revenue forecast for the next fiscal year. This honeymoon came to an end after its most recent earnings release.

Revenue was up 16% year over year in the first quarter of fiscal 2020, but software and services sales fell below expectations. The company is pushing forward with a renewed focus on its QNX autonomous vehicle technology in hopes of leveraging Cylance AI. On the bright side, BlackBerry did reaffirm its annual adjusted revenue growth of 23% to 27% for the full year.

The post-earnings plunge looks like a knee-jerk reaction to an earnings disappointment. BlackBerry has yet to realize the full potential of its Cylance acquisition, and this showed in the quarter; the stock has plunged back into the low end of its 52-week range.

Shares had an RSI of 30 at the time of writing, putting BlackBerry just outside technically oversold territory right now. I'm still bullish on BlackBerry in July — it's definitely worth picking up at a single-digit price point.

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