Here's Why These 2 Popular Stocks Pulled Back This Summer

Description

It was a tough summer for the TSX index, with everything from tech to energy producers sliding on increased market jitters. Let's take a look at two stocks that suffered a pullback and see whether their outlook has improved.

Tech stocks pulled back on risk this year

Lightspeed (TSX:LSPD) has slowed from warp speed to more of a gentle trot of late. Having soared over 150% since its debut on the TSX, this IPO, which looked set to steal the thunder from the likes of Shopify, may have some upside to offer new tech investors, but it has definitely lost some of its momentum since the end of summer.

Overvaluation fell out of fashion towards the tail end of summer, echoing the tech stock bloodbath that hit the sector back in June. Lightspeed is now facing a conundrum not unfamiliar to investors in cannabis: whether to push for growth or pursue profitability. However, the fork in the road is possibly driven by the markets, with the U.S. seeking growth and Canadians keen to see a profitable business.

So, should capital gains investors still be looking to Lightspeed for upside? Selling at almost 10 times its asset value, LSPD's P/B of 9.8 times book denotes overvaluation, especially when you consider that the average for a Canadian tech stock is 2.5 times book. However, the stock saw massive gains earlier in the year, and investors are starting to buy the dip with the potential for more upside to come.

This wide-moat favourite also saw a late-summer pullback

Midstream investors had plenty to talk about this summer, as **Enbridge** (TSX:ENB)(NYSE:ENB) was made to jump through one hoop after another. However, the big news came when the Canada Energy Regulator (CER) ordered that open season be halted on the pipeline giant's Mainline system. Enbridge has been enthusiastic about switching from a per-month spot system to firm contracts.

However, the CER came down on the side of the shippers in a move that surprised energy pundits and put Enbridge back in the spotlight. However, Enbridge is adamant that it will go ahead with the new setup and will soon file an application with the CER for the firm service.

Enbridge stock averaged negative last week by a few points. Still, buyers seeking out the best-valued stocks and highest passive-income margins should note that Enbridge is shelling out a dividend yield of 6.37%, which should be rich enough for even the most ambitious long-range oil investor.

Pembina was also being put through the wringer by investors, negative by 3.6% last week. The midstream company hit the headlines a couple of months ago when it transpired that it would acquire **Kinder Morgan Canada** and the U.S. part of the Cochin pipeline in a deal worth $4.35 billion. Indeed, investors who have cooled off on Enbridge may want to switch over to Pembina and its 5% dividend yield.

The bottom line

With Enbridge flat and starting to bounce back, these two popular stocks could face a rocky final quarter. However, while Enbridge may have its detractors, its Mainline system remains one of the widest moats in Canada, while Lightspeed offers growth investors a strong play in the software-as-a-service space.

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