Market Rally 2020: 3 Tech Stocks to Buy Right Now

Description

The world continues to grapple with the rising number of COVID-19 cases that have now crossed 2.3 million and resulted in over 160,000 deaths. However, the equity markets, including several tech stocks, gained momentum on April 17 on the hope that pharma giant **Gilead** has developed a drug that has been effective to fight the dreaded virus.

While it is still early days, the markets will rebound at a stellar pace if the drug is confirmed to be effective against the COVID-19. We'll look at three tech stocks that should crush broader markets in a rally.

A high-growth SaaS company

Shares of Canada-based tech company **Kinaxis** (TSX:KXS) are trading at $122.47. The stock is up 18% in 2020 compared to the 11.5% decline in the S&P 500. Kinaxis continues to outperform the broader markets, driven by its robust business model.

The software-as-service company aims to disrupt legacy supply-chain processes by leveraging its technological expertise. It provides cloud-based solutions to help enterprises optimize their supply chain and lower operational costs.

Kinaxis should not experience a significant decline in top-line growth in the upcoming quarters, as it has secured long-term contracts with clients, which will help it reduce cyclicality in these uncertain times.

In the long term, Kinaxis will continue to benefit from the increasing demand for its solutions and higher net retention rates, which helps to drive incremental revenue from existing customers. Kinaxis stock went public back on June 13 ,2014, and closed trading at $13 per share that day. It has since returned 842%.

A winner among tech stocks

Shopify (TSX:SHOP)(NYSE:SHOP) is another stock that will continue to move higher on a market rebound. The Canadian-based e-commerce company has generated staggering investor wealth since it went public in May 2015. Due to its monumental growth of 3,370% since its IPO, Shopify trades at a steep valuation. It has a forward market cap-to-sales ratio of 34.3 and a price-to-book ratio of 23.

But this valuation is supported by the company's strong growth metrics. Its sales have risen from US$205 million in 2015 to US$1.58 billion in 2019 and are estimated to touch US$2.73 billion in 2021.

While people are unable to shop at brick-and-mortar outlets due to countrywide lockdowns, there has been an increase in online buying, which will help boost Shopify sales. The e-commerce heavyweight also banks on its high-margin subscription sales that account for 36% of revenue to offset any cyclicality from its merchant solutions business.

In the long term, Shopify is well poised to benefit from the global shift towards online shopping, making it a strong buy for the upcoming decade.

A remote work enabler

Another high-growth tech stock that has crushed broader markets is **DocuSign** (NASDAQ:DOCU). This software-as-a-service company announced stellar quarterly results in March and provided upbeat guidance amid the COVID-19.

Shares of DocuSign are up 32% year to date and have returned 153% in the last five years. As people are largely working from home, the services of DocuSign have become critical. The use of online signature software is expected to become hugely popular at a time when social distancing is the norm.

In 2019, DocuSign sales were up 39%, compared to a 35% growth in 2018. Over 94% of sales are subscription-based, making it a safe bet in a highly volatile environment. According to one Aragon Research report, the digital transaction management market could touch $30 billion in 2020. Comparatively, DocuSign is expected to generate $1.3 billion in sales this year, giving the firm enough runway for long-term growth.

CATEGORY

1. Coronavirus
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2. NYSE:SHOP (Shopify Inc.)
3. TSX:KXS (Kinaxis Inc.)
4. TSX:SHOP (Shopify Inc.)

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