Market Rally: 2 Top Tech Stocks to Buy Before May

Description

The **S&P/TSX Composite Index** was down 38 points in late afternoon trading on April 23. Investors have been treated to a promising market rally after a sharp retreat in the month of March. However, in order to capitalize on this rebound, investors need to be selective. Certain sectors have failed to gain significant momentum as a rough earnings season nears, which is why I'm targeting tech stocks in the spring.

Bank stocks, for example, have failed to recoup many of the losses they suffered in March. The COVID-19 lockdowns are expected to have a dramatic impact on second and third quarter earnings. Energy stocks have also continued to struggle in the face of a once-in-a-generation oil price catastrophe.

Today I want to look at the tech sectors as a potential source of growth for investors. The market rally has been kind to tech stocks. Investors should continue to seek exposure to technology throughout the 2020s.

Tech stocks: Bet on cybersecurity!

In early February, I'd discussed how investors can capitalize off the burgeoning cybersecurity space by investing in related tech stocks. The COVID-19 lockdowns have forced tens of millions to work primarily through the digital space.

Because of this, there will be increased demand for security from the private and public sectors. Look no further than the breaches that have been suffered by a company like **Zoom Video** as its popularity has exploded in this crisis.

Absolute Software (TSX:ABT) is a Vancouver-based company that provides cloud-based endpoint visibility and control platform for the management and security of computing devices and applications. It offers its services to the public and private sectors. Shares of Absolute Software have climbed 30% month-over-month at the time of this writing. The stock is up 16% in 2020 so far. This is a tech stock to watch in this market rally.

The company released its second quarter 2020 results on February 3. Total revenue increased 6% year-over-year to $25.8 million. Its Annual Contract Value Base (ACV Base) hit $100.3 million as at December 31, 2019. The Enterprise and Government portions increased 12% annually and represented 69% of the ACV Base.

Shares last possessed a price-to-earnings ratio of 27, which was slightly better value than its industry peers on average. The stock last paid out a quarterly dividend of $0.08 per share, representing a 3.2% yield.

Canadian giant that can rebound this decade

BlackBerry (TSX:BB)(NYSE:BB) has been a frustrating tech stock to own in recent years. Shares of BlackBerry have dropped 33% in 2020 so far. In previous articles, I'd targeted BlackBerry for its exposure to cybersecurity and the automated vehicle software market.

The company released better-than-expected results in its Q4 and full-year 2020 earnings report. However, it did experience a slowdown in its QNX deals. This is largely due to a massive slowdown in the auto industry because of the COVID-19 pandemic.

In Q4, BlackBerry posted GAAP revenue of $282 million – up 13% from the prior year. For the full year, revenue rose 15% to $1.04 billion. Management expects its bottom line to be impacted by the COVID-19 pandemic in fiscal 2021.

On the plus side, BlackBerry boasts an immaculate balance sheet. Its Cylance acquisition has contributed to a steady increase in revenue even in the face of softer sales due to the ongoing crisis. I'm still bullish on this tech stock in the 2020s and beyond.

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