Meet the Driving Force Behind TSX Index Growth Stocks

Description

Turbulence remains a defining characteristic of the markets as we head into summer. Bullishness is stubbornly buoying equities, with markets rallying on the slightest whiff of good news. But should investors trust the market rallies right now?

A market crash is possible if the bears wash out, so perhaps not. The case for another crash is simple. Economic concerns are fueling decisions to reopen businesses and public spaces. Bear investors are getting drawn into the markets, beguiled in part by the sense of hope permeating the media. Any dashing of that hope could rock the markets significantly, though, such as a round of weak earnings reports, or an uptick in virus transmission rates.

But one force is driving the TSX index right now: the need for efficiency. They say that necessity is the mother of invention. Right now, what global industries need more than anything is to be ruthlessly efficient. One way for businesses to do that is to automate logistics and supply chain management. Business efficiency is one thing that Canadian tech does particularly well, and it's a driving force behind growth in TSX stocks.

Buy tech stocks based on "natural selection"

There's a sense of Darwinism in action about the stock markets at the moment. Some sectors have proven less capable than others of adapting to market stressors, such as hydrocarbon producers and high-street retailers. On the other end of the spectrum, though, some sectors are rocketing to prominence. E-commerce and ethical plays, such as alt-meat, are hot right now.

Businesses are scrambling to streamline and reduce capex wherever possible in the current market. It makes sense, then, to invest in services that allow businesses to do so. **Descartes Systems Group** (TSX:DSG)(NASDAQ:DSGX) is a strong play for business automation. Supply chain management is fast becoming the number one growth industry of the early 20s. Investors should consider Descartes's extremely varied software solutions model.

Descartes offers solutions to a range of sectors, including logistics, manufacturing, and retail.

Everything from telematics and compliance to freight auditing and connection services is covered by its software systems. Descartes is also strongly diversified in terms of global market share, with a footprint that extends beyond the Americas to cover Europe, Africa, Asia, and the Middle East.

All of this makes Descartes a big name in an increasingly defensive area of investment. Supply chain automation is a strong play for the long term given how heavily the economy leans on the reliability of suppliers. Value-focused investors may want to add this name to a watch list and wait for the dust to settle before buying shares.

A post-earnings pullback in Descartes's share price is the best time to pick up shares. A 64% rally off its three-month low means that a big pullback is unlikely at this stage. The trend in momentum is strongly positive, up 14% in the last four weeks, as investors anticipated an earnings beat. Would-be shareholders should consider buying at any price and holding this gravity-defying name for the long term.

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