



SELL ALERT: Is it Time to Bail on These Hot Tech Stocks?

Description

Canada's small technology sector has played a big role in leading the rebound from the middle of March. Investors may not have the plethora of options they do south of the border, but there are a few elite tech stocks on the TSX. Today, I want to look at two tech stocks that have made shareholders a fortune in recent months. However, these stocks just sent off a sell signal that is worth paying attention to. Let's dive in.

Why this tech stock has erupted since March

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) is an Ottawa-based e-commerce company. The company has grown into the largest TSX stock by market cap since its IPO in the spring of 2015. Shares of Shopify have climbed nearly 150% over the past three months as of early afternoon trading on June 22.

The company had a strong first quarter, with revenues and gross merchandise volume experiencing impressive growth. However, Shopify has yet to achieve consistent profitability. Investors are betting on its growth potential going forward. It is determined the grow its merchant stable on an international level. Earlier this month, I'd discussed why Shopify was a great stock for investors looking for exposure to [artificial intelligence development](#).

Last month, I'd asked whether investors should follow the adage, "[sell in May and go away.](#)" Shopify fell below the \$1,000 mark in early June but has since bounced back to challenge its all-time highs. However, it may be time to take profits in this tech stock. Shares last had an RSI of 72, which puts Shopify in technically overbought territory.

Another top AI stock that just sent off a sell signal

Shopify was not the only AI tech stock worth following on the TSX. **Kinaxis** ([TSX:KXS](#)) is another Ottawa-based company that is growing on the back of AI and machine learning development. Its shares have climbed 96% over the past three months.

Unlike Shopify, Kinaxis has achieved profitability. However, its value is still in serious question right now. Like many hot tech stocks, it possesses a sky-high price-to-earnings value. Its supply chain and operations planning software has attracted huge clients in recent years, but it is on a slower growth trajectory than other top tech stocks. In its Q1 2020 results, Kinaxis saw total revenue increase 15% year over year to \$52.8 million and achieved an adjusted EBITDA margin of 29%.

Kinaxis still looks like a fantastic hold for the long term. The company boasts an immaculate balance sheet and its revolutionary business is due for consistent growth in the years to come. Shares breached the \$200 mark in June. In its most recent trading session, Kinaxis stock also had an RSI of 72. This puts the tech stock in technically overbought territory.

Both Canadian tech stocks have been a joy to hold for shareholders in the first half of 2020. However, investors should not be afraid to take profits in what looks like a broadly overvalued market.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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

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Date

2025/08/26

Date Created

2020/06/22

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