



Here Are My 2 Top Stocks to Buy in July

Description

As we move into the second half of the year, we could see some significant stock price movements in July and early August. The stock market rallied in the second quarter over the hopes of a recovery in the second half. Investors believe that the worst is over, as the economy is gradually re-opening. However, a second wave of the COVID-19 pandemic looms, which could lead to another market crash this fall.

The July seasonality

The month of July will determine the speed of the economic recovery. In a normal market environment, the second half is seasonally weak for enterprise software companies, as most of the licence wins and renewals take place in the first half. However, many enterprises have delayed their software licensing decisions, as the pandemic created uncertainty around future demand. Most software companies will report their lockdown period earnings in August when the expectations and reality will converge, and the stocks will react accordingly.

The month of July could see some software stocks reach their 52-week peak before their normal cyclical decline in August. It remains to be seen whether the delays in software licensing extend the rally of software stocks throughout the third quarter. If you hold shares of **Kinaxis**, **Descartes Systems**, and **Open Text**, don't sell them, as they have the potential to grow. There are some stocks which could see a pullback in July before rising later this year.

BlackBerry

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) provides cybersecurity software and services for automotive and other sectors, including government, medical, and industrial. The company released its lockdown period earnings, and it seems like the worst is over. It's fiscal 2020 first-quarter revenue fell 16.6% YoY (year over year) to US\$206 million, its lowest since 2003. The weakness in the automotive market drove this decline. The company was making losses even before the pandemic. The COVID-19 pandemic only widened its net loss to US\$636 million from US\$35 million in the previous year's

quarter. Even if the auto sales recover, the company will take some time to return to profit.

BlackBerry has no debt and over US\$870 million in cash, which can help it withstand losses for a few more years. If it fails to make profits, its attractive patent portfolio makes it a good acquisition target.

BlackBerry went through a [remarkable turnaround](#) from smartphone to software, significantly reducing the size of the company. It is struggling to make its mark in the endpoint security software market, which is crowded with many big and small players like **CrowdStrike Holdings** and **Absolute Software**. BlackBerry stock has been falling since March 2019. It is down 52% in the last year. Despite its continued decline, the stock sits on Canadian billionaire investor Prem Watsa's portfolio.

BlackBerry stock is currently trading at 3.6 times its sales, which is way below CrowdStrike's and Absolute Software's valuation of 40.4 and 4.3, respectively. Its share is trading near its 2013 levels, making it a good buy and hold for the long term. Even if the stock returns to its 2019 level of above \$10, it represents an upside of over 50%.

Constellation Software

Constellation Software ([TSX:CSU](#)) acquires small companies that offer mission-critical software services to niche vertical markets. Its strategy to acquire companies with high cash flows and limited competition has made it resilient to the pandemic. The company did see delays in software licensing deals, which could slow down its organic growth. But it has relied more on acquisitions for growth. In May, it [agreed to acquire Netherlands-based Topicus.com](#), which could add €100 million to its annual revenue. Constellation stock has increased by 21.5% year to date. It can grow further with the addition of Topicus.com.

Investor takeaway

As you return to work, it is an excellent time to start investing for the long term. BlackBerry stock has an attractive valuation and a strong balance sheet. If the company gets an acquisition offer, the shares could grow significantly and give you extraordinary returns. Constellation stock will continue to benefit from the acquisitions it makes and the cash flows these acquisitions bring.

CATEGORY

1. Coronavirus
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TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)
3. TSX:CSU (Constellation Software Inc.)

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Author

pujatayal

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