



BUY ALERT! Top 2 TSX Stocks to Buy Right Now

Description

Do you remember the dreaded month of March when Prime Minister Justin Trudeau announced a nationwide lockdown to control the spread of coronavirus? The stock market saw panic selling, as nobody knew how the pandemic will impact the businesses. In this lockdown, some tech stocks rallied to new highs, as they benefitted from the lockdown. If you had invested \$10,000 in the **iShares S&P/TSX Capped Information Technology Index ETF** in March, you would have made \$7,700 by June.

Correction in tech stocks

Don't worry; if you missed the chance to make money in the three-month rally. The stock market is giving you another chance. The tech-heavy **Nasdaq Composite index** declined 1.1% last week, as most tech stocks are seeing a price correction. Software stocks, which rallied over 70%, are now down 7%, as investors are cashing out some of their profits. This correction may not last long. This is the right time to buy before its too late.

If you have \$2,000 to invest, buy the two stocks listed below through your Tax-Free Savings Account (TFSA).

Kinaxis

Kinaxis ([TSX:KXS](#)) is a supply chain planning software that caters to large enterprises for whom the supply chain is a major part of their business operation. The lockdown has made the supply chain more complex, as there was a drastic shift in demand and supply. Companies had to make significant changes in their orders and deliveries. Kinaxis's supply chain planning solutions help companies optimize this business process and make it more flexible while saving costs.

Kinaxis earns money from subscription fees that vary depending on the size of the customer, the number of users, applications, and licensed manufacturing, distribution, and inventory sites. The company is in the growth stage and gets around 66% of its subscription revenue growth from new

customers.

Its revenue and adjusted EBITDA rose at a CAGR of 22% and 29%, respectively, between 2015 and 2019. The company's operations will take a hit from the pandemic, but the impact will be minimal, as it mostly has subscription-based revenue.

Descartes Systems

Descartes Systems ([TSX:DSG](#))([NASDAQ:DSGX](#)) is a competitor of Kinaxis and the [fifth-largest](#) software provider of supply chain management solutions. Descartes has a broader portfolio that offers end-to-end logistics and supply chain operations. It allows customers to buy perpetual licences, subscriptions, or even use its solutions for a single transaction.

Descartes is in the mature stage and depends on acquisitions for revenue growth. In fiscal 2020 ended January 2020, its 10% revenue came from acquisitions. Its revenue increased at a 14% CAGR between fiscal 2015 and 2020, which is slower than Kinaxis. Descartes is a [beneficiary of the pandemic](#), as it saw a significant uptick in its e-commerce shipping and fulfillment services.

Stock price momentum

Stocks of Kinaxis and Descartes rose 124% and 80%, respectively, from their March lows. So, if you had invested \$1,000 each in the two stocks in March, your money would have increased by \$2,040 in 110 days.

You can still make some money on these stocks. The two stocks have declined 7-9% last week, as more sellers have emerged. The Relative Strength Index (RSI) on these stocks has declined to the March level of below 50, which indicates there is an equal number of buying and selling transactions. This RSI can have two meanings:

- The two stocks' upside potential has slowed, and their current trading price is their new normal; or
- Investors are cashing out profits before the second stock rally.

My prediction for Kinaxis and Descartes

There is a high probability for the second option to come true, as the two companies release their second-quarter earnings in August. Stocks generally rally ahead of the earnings, and if the company reports better-than-expected earnings, stocks rise further. Kinaxis stock rose by 20% and Descartes stock rose by 8.1% before and after their first-quarter earnings.

If these stocks follow a similar trend, your \$2,000 invested today could earn you more than \$250 by the end of August.

CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:DSGX (Descartes Systems Group)
2. TSX:DSG (The Descartes Systems Group Inc)
3. TSX:KXS (Kinaxis Inc.)

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