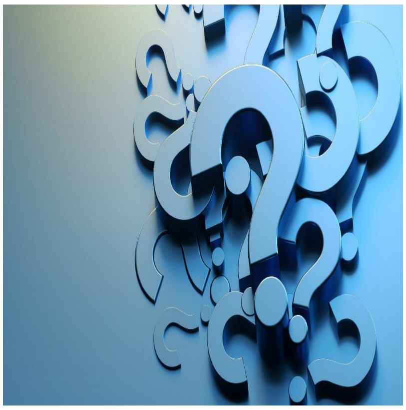

Technology Stocks: Is There a Bubble?

Description

Money has flowed into technology stocks after the March 2020 market crash. Market capitalizations are soaring along with the market value of individual shares. **Tesla** and **Apple** are approaching the situation with share splits.

These share splits will more attractively price individual units of the stock, but it won't necessarily change the market capitalization. The market capitalization is what really matters when it comes to assessing the appropriateness of a company's valuation.

If you purchased technology stocks before this intense boom in valuation, then you probably have little to worry about. If the market corrects downward, then you'll probably still retain most of your initial investment (hopefully). On the other hand, if technology stocks do fall in value, then you might miss out on a profit opportunity by not selling.

Is there a technology bubble?

Long-term investors see buying shares in stocks with a longer horizon than bubbles. They tend to find stocks with cheap valuations and dividend yields to satisfy their investment needs. Trying to time the market is a difficult endeavour.

Ultimately, we never know which way the pieces are going to fall. Even if we have our suspicions, we could be wrong.

How you approach the possibility of a technology bubble is up to you. After all, it is your money that is invested.

Here are two technology stocks that you might want to watch.

Open Text

Open Text (TSX:OTEX)(NASDAQ:OTEX) sells enterprise information management software. The company is in a growing data management niche, making it a solid investment for your retirement portfolio.

Open Text has bounced back quickly from the March lows of $42.30 to $60.22 at the time of writing. If you buy this stock, you'll also earn an annual dividend yield of 1.54%.

Investors in Open Text have the opportunity to earn from both dividends and capital gains. The market capitalization is only $16.37 billion.

Moreover, the price-to-earnings ratio is 53.19, which is on the low end compared to other technology stocks today.

If you want to hold investments in the technology sector but are worried about a bubble, then stocks like Open Text are probably a safe bet. Just remember to invest slowly and confidently to avoid regrets.

Kinaxis

Kinaxis (TSX:KXS) sells supply chain management and sales and operation planning software. This company is also in a quickly growing part of the technology industry. Retirement portfolios containing this stock have a lot of potential to earn top-notch returns.

Kinaxis fared fairly well during the March 2020 market crash. It fell to a 52-week low of $75.25. Since then, the stock price on this company has appreciated to $203.81 at the time of writing. If you buy this stock, you won't earn a dividend yield, but the possibilities for capital gains are attracting investors.

Shareholders in Kinaxis understand that this is a fairly dependable growth stock. While no investment comes without risk, this stock might still have the room over the long-run to give something back to investors.

The market capitalization is lower than Open Text at just $5.47 billion. Nevertheless, the price-to-earnings ratio is higher at 161.18, reflecting more of the company's future growth already priced into the value of its equity shares.

The technology bubble is definitely something to think about. That's why it is a good idea to invest slowly and with a fearless mindset while staying rational.

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