NASDAQ Dipped 6%: It's a Good Time to Buy These TSX Stocks

### Description

The month of September started with some corrections. **NASDAQ Composite Index** dipped 6% since September 2, creating an opportunity to buy some good stocks. The dip also pulled down tech stocks trading on the **Toronto Stock Exchange**. The index witnessed a similar dip back in February just before the market crash. If you are worried that this is the beginning of the second market crash, then wait. Don't rush to sell.



Back in February, the NASDAQ dipped 6% in three days, which pulled the index below its 50-day moving average. The decline came after four consecutive days of massive selling activity. The Relative Strength Index (TSI), which measures the trading activity, went from overbought (above 74) to oversold (32) in these three days.

## Is the NASDAQ dip a warning of another market crash?

Is the latest 6% dip just a correction similar to what we saw in early June or is it the beginning of another market crash? Right now, it looks like a correction because the NASDAQ is still trading 4.4% above its 50-day moving average. There is only one day of massive selling, which has reduced the RSI from overbought (above 80) to normal trading (55).

If the index falls below the 50-day moving average and becomes oversold in the next three to four days, it could mark the beginning of another market crash. However, if the index sees an upward movement this week, then it's just a correction of tech stocks that have become expensive during the pandemic.

The NASDAQ dip impacted TSX tech stocks that surged on the back of the pandemic. In the last two trading days, stocks of **Shopify** (TSX:SHOP)(NYSE:SHOP) and **Kinaxis** (TSX:KXS) fell 14.6% and 10.8%, respectively. Whereas, stocks of **Lightspeed POS** (TSX:LSPD) and **Descartes Systems** ( TSX:DSG)(NASDAQ:DSGX) fell 8.4% and 9%, respectively. All these stocks were trading above their bullish price target. The recent correction has brought them in-line with their bullish price target, creating a buying opportunity.

All four stocks have strong growth potential, but Shopify and Kinaxis are more volatile than Lightspeed and Descartes. Which two stocks are a better buy?

## Which is a better buy: Kinaxis or Descartes?

Kinaxis and Descartes are competitors in the supply chain management software market. Descartes is a larger player with annual revenue of US$325 million and a market capitalization of $6.28 billion. Kinaxis has an annual revenue of US$190 million and a market capitalization of $5.12 billion. Kinaxis only offers supply chain planning, whereas Descartes offers end-to-end logistics and supply chain management solutions. Kinaxis's revenue and EBITDA are growing faster than Descartes because of its smaller size.

Both these stocks are resilient to the pandemic and are set to grow even in the post-pandemic economy. But Kinaxis has a higher risk/reward ratio and valuation than Descartes. If you had invested $1,000 in each of the two stocks, your Kinaxis investment would now be $2,060 and Descartes's investment would be $1,430.

If you are willing to take more risk, Kinaxis is the stock for you. But if you want to mitigate your risk, Descartes is the stock for you.



## Which is a better buy: Shopify or Lightspeed?

Shopify and Lightspeed both operate in the e-commerce market. Lightspeed is a smaller player with $120.6 million in annual revenue. It offers omnichannel solutions for retailers and restaurants that have physical stores. It expanded its e-commerce solutions in the pandemic, bringing itself closer to Shopify.

Shopify is a bigger player with $1.58 billion in annual revenue. It is the second-largest e-commerce platform. It allows merchants to build their e-commerce store within days and offers end-to-end solutions that merchants need to run an online store.

Both Shopify's and Lightspeed's revenue rose by 50% last year. Shopify's revenue accelerated in the pandemic, with second-quarter revenue up 97%. However, investors have already priced in Shopify stock for the next 10 years, thereby limiting its upside potential. It is trading at 73 times its sales per share. Lightspeed has more upside potential as it is trading at 30 times its sales per share. Hence, Lightspeed is a better buy at this price.

Kinaxis and Lightspeed can accelerate your portfolio growth.

**CATEGORY**

1. Coronavirus
2. Investing
3. Tech Stocks

**TICKERS GLOBAL**

1. NASDAQ:DSGX (Descartes Systems Group)

2. NYSE:SHOP (Shopify Inc.)
3. TSX:DSG (The Descartes Systems Group Inc)
4. TSX:KXS (Kinaxis Inc.)
5. TSX:LSPD (Lightspeed Commerce)
6. TSX:SHOP (Shopify Inc.)

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