TSX Dipped 3%: The Beginning of Another Market Crash?

Description

The **TSX Composite Index** dipped 3% in the last two days as the **NASDAQ Composite Index** fell 6%. There could be many possible reasons for the sell-off, but market crash ain't one of them. The stock price momentum shows that it is just a correction after a strong rally in August.

What are the odds of another market crash?

The NASDAQ surged 12.2% between August 1 and September 2 to cross 12,000 for the first time. At that point, the index was overbought with a Relative Strength Index (RSI) of 84. When the market is overbought, it tends to correct – and that is exactly what happened. Over the next two days, investors cashed out some profits from the big tech stocks like **Apple** and **Facebook**. This correction reduced the index's RSI to normal trading of 55.

The NASDAQ saw a bit of recovery in the afternoon session on September 4. The index fell 4.6% in the first half and surged 4% in the second half, reducing the overall decline to 1.2% for the day. This uptick in the second half shows that investors are back to buying.

The **TSX Composite Index** just acted on the NASDAQ. **Shopify** and **Kinaxis** were among the highest decliners, falling 14.6% and 10.8%, respectively. But the little uptick in Nasdaq hints that the market will return to its rally once again.

The early signs of a stock market crash will be visible when the TSX Composite Index falls below its 50-day moving average and it's oversold (RSI below 30).

It's time to buy on a market correction

The recent correction in the stock market has created an opportunity to buy fast-growing stocks at an attractive price. COVID-19 pandemic changed the way people live and work and creating an e-commerce wave. Shopify became the poster child of this wave. Other stocks with exposure to e-commerce, like supply chain management companies **Kinaxis** (TSX:KXS) and **Descartes Systems** (TSX:DSG

)(NASDAQ:DSGX), surged to new highs.

Stocks of Kinaxis and Descartes were growing even before the pandemic on the back of supply chain complexities. Their stocks surged 60% last year. Then came the e-commerce wave, which created new challenges of same-day delivery, order flexibility, and doorstep delivery. This has increased the demand for Kinaxis' and Descartes' solutions, thereby driving their stocks up 90% and 40%, respectively, during the pandemic.

The two companies could continue to grow in the post-pandemic economy as the demand from sectors significantly impacted by the pandemic returns. The current market correction has reduced Kinaxis' and Descartes' stock by 14.7% and 9.1%, respectively, from their 52-week high. This is the right time to buy these stocks, as they have the potential to grow double-digit by the end of the year.

Technology ETF

The pandemic has given rise to the overall tech sector, and that is visible from NASDAQ's rally to 12,000. You can get exposure to the Canadian tech sector with the **iShares S&P/TSX Capped Information Technology Index ETF** (TSX:XIT). The NASDAQ surged 27.7% year to date (YTD), while the XIT ETF surged 41%. When the NASDAQ dipped 6% in the last two trading days, the XIT ETF fell 7%.

While the XIT ETF outperformed the NASDAQ, it underperformed some tech stocks, bringing a balance of risk and reward. The ETF gives you exposure to 18 tech stocks trading on the Toronto Stock Exchange. It has around 48% of its holdings in Shopify and **Constellation Software.** These stocks surged 146% and 16% YTD. The ETF also has around 10% of its holdings in Kinaxis and Descartes. The ETF gives you exposure is relatively new stocks like **Lightspeed POS**, which launched its initial public offering in March 2019.

Investing in the stock market

It's prudent to invest in such high-growth stocks through your Tax-Free Savings Account (TFSA). You can make the most of the current market correction by investing $6,000 of your TFSA contribution equally in Kinaxis, Descartes, and XIT ETF. The first two stocks will give you a high risk/reward of individual stocks, and the ETF will give you exposure to the tech sector while diversifying your risk.

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.)
4. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)

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