Huge Selling in the NASDAQ and S&P 500: Is the Market Crash Here?

Description

The last three trading sessions have been a nightmare for the U.S. stock markets. When investors returned after the Labour Day weekend, they went on a selling spree, as they priced in the economic risks. On September 8, the **Nasdaq Composite Index** dipped 4%, and the **S&P 500 Index** fell 2.8%. Three consecutive days of selling pushed the two indexes below their 50-day moving averages.

A similar trend was seen in late February, a few days before the March market crash. Does this mean another market crash is here?

What leads to a stock market crash?

For the past few months, many analysts have been touting the possibilities of a second market crash. The stock market was not in sync with the economic data. The Warren Buffett Indicator also hinted that the equities are highly overvalued to the level above the 2009 Financial Crisis. Despite the weak economy, the stock market surged on the back of the fiscal stimulus package and the near-zero Fed interest rate.

Investors were left with few investment options that could fetch them good returns. Hence, they flocked to gold stocks and the big tech stocks, popularly known as FAANGM, as a safe haven. **Barrick Gold** stock surged 84% after the March sell-off.

A stock market dip is termed as a market crash when there is a significant decline of 20% or above. The stock market crashes when the economy is cash strapped, and investors lose confidence in the businesses. But the fiscal stimulus package has infused cash in the economy. Moreover, the stay-at-home trend has given rise to tech stocks. There are fears of a looming recession when the government aid eases.

But until then, the stock market rally would continue. Every month or two, investors cash out some profits from their safe-haven stocks, which led to a market correction. The latest dip in the Nasdaq and the S&P 500 is one such correction. After three consecutive days of selling, investors are back to buying. This is because the correction creates a buying opportunity.

Two stocks to buy in this market correction

Make the most of this dip and buy **Shopify** (TSX:SHOP)(NYSE:SHOP). Shopify has enjoyed a strong rally in the current crisis, rising 180% year to date. There is every reason for investors to be bullish on the stock, as the pandemic has created an e-commerce wave. In the last three trading sessions, Shopify stock dipped 18% below its 50-day moving average.

At its current trading price of $1,240, it has the potential to rise 13-15% to over $1,400 in the remainder of the year. It can even surge to its 52-week high of $1,502 as the holiday season approaches. Shopify sees a seasonal surge in transactions during Black Friday and Christmas, which increases its revenue from merchant solutions.

Perhaps you received the $2,000 Canada Emergency Response Benefit (CERB) payment from the Canada Revenue Agency (CRA). If you don't have any urgent expenses, buy Shopify through your Tax-Free Savings Account (TFSA).

In the best-case scenario, you can earn $420 on your $2,000 investment by the end of this year. In the worst-case scenario, you can earn $250 on your $2,000 investment.

Another stock worth buying in this dip is **Kinaxis** (TSX:KXS), a provider of supply chain planning software. The stock has doubled this year on the back of rising complexities in the supply chain. While the pandemic has delayed the signing of new contracts and some contract renewals, its long-term prospects remain strong. Its customers are signing longer-term contracts.

Kinaxis stock fell 11% in the last three trading sessions. It has the potential to surge even in the post-pandemic economy, as the supply chain becomes challenging. A $190 stock price is a good buy point, as the stock can reach its 52-week high of $224.98 in the coming few months, representing an upside of 17%.

Leverage this opportunity to buy in high-growth stocks at a lower price.

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