Huge Tech Sell-off in the U.S: Is Canada Next?

Description

Tech stocks have enjoyed a very strong run in recent years. While most of the global economy became weak due to the pandemic, high-flying tech stocks continued to rally amid economic uncertainty. However, a massive tech sell-off in the U.S. resulted in many well-known tech companies taking a massive hit.

Today I will discuss the sudden decline in U.S. tech stocks and the impact it has had in Canada, particularly with **Shopify Inc.** (TSX:SHOP)(NYSE:SHOP) and **Lightspeed POS** (TSX:LSPD).

What drove the prices down?

While it might be a worrisome sign to see the likes of **Apple Inc.** dragged down, there does not seem to be a massive worrying sign for the tech sell-off. The sector has been rallying and garnered strong interest from investors. The pandemic and ensuing lockdowns accelerated investments in tech stocks, and the entire industry had a sprinting rally.

However, the decline was long overdue, according to analysts. The sell-off most likely indicates a healthy near-term pullback rather than a tech-led market downturn. The tech industry's long-term support has not waned, and neither has the overall market seen a devastating event that could lead people away from tech companies.

With such a significant market movement, Canadian tech stocks also felt the waves ripple from across the border between September 1 and September 4, 2020.

Shopify

Between September 1 and September 4, Shopify declined 14.59%, decreasing to $1,270 per share. The tech titan Shopify seems like it has seen a drastic downturn in such a short time. However, the recent movement does not define weaker fundamentals for the company.

Shopify is still a solid growth story with plenty of steam left for long-term investors. The recent decline across the tech sector did not come as a surprise for analysts. Shopify itself has been trading well ahead of its financials for a while. It was only a matter of time that it would see a correction.

Shopify looks even more attractive for its long-term prospects due to changing consumer behavior amid the pandemic. It could be wise to buy the stock on the dip.

Lightspeed POS

Lightspeed POS has not enjoyed a constant upward rally like Shopify during the pandemic. It initially faced significant challenges in generating revenue because most of its clients lost business due to the lockdown. However, a change in its product offering enabled Lightspeed to see a drastic upward rally from its March lows.

Between September 1 and September 4, 2020, Lightspeed declined by a massive 8.57%. Despite the worrying figure, you can consider this nothing more than the fatigue of its recent rally.

Lightspeed updated its digital products for retailers and restaurants to tend to the changing market dynamics. The move created a higher demand for its services, and Lightspeed's subscriptions have skyrocketed. As the company gains more customers, Lightspeed can continue to see further growth and improved profit margins.

At writing, it is trading for $43.52 per share and looks quite attractive for long-term tech investors.

Foolish takeaway

As worrying as it might have seemed, the recent tech sector pullback is unlikely to lead a market meltdown. Other factors like a housing market decline, are more likely to cause a downturn. Tech stocks are likely only witnessing a bit of fatigue after an excellent run.

I think Shopify and Lightspeed POS are attractively priced, and you should consider adding the companies to your portfolio on the dip.

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Date
2025/08/23
Date Created
2020/09/10
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