



Market Crash 2020: This Lopsided Market Could Spell Disaster

Description

Before the Labour Day weekend on September 7, 2020, North America's equity markets showed weakness. David Rosenberg, chief economist and strategist at Rosenberg Research & Associates, said the outsized weight of some U.S. tech titans is partly to blame.

Rosenberg believes the heavy concentration of high-flying tech stocks in major index weightings causes the broad market to decline. He describes it as the most lopsided, concentrated market of all time. Furthermore, he believes that it could spell [disaster](#) if only a handful of mega stocks drive the market's uptick. A minor downward correction could have an overwhelming impact on market averages.

Tech titans

The [spectacular](#) run-ups of **Apple**, **Alphabet**, **Amazon**, **Facebook**, and **Microsoft** in recent years made them the five-largest weightings on the broad market S&P 500. However, shares of all five companies slid between 5% and 7% heading into the holiday weekend.

Rosenberg warns the heavy concentration is a threat to broadside retail investors, particularly those investing in index funds for diversification. He said the bubble is in mega-cap stocks only, which isn't healthy from an index point of view. The rotation won't hold up to prevent the growth area from rolling over. If it does, the overall indices will go into correction mode.

TSX weighting

On the S&P/TSX Composite Index, the information technology stocks comprise only 9.3% of the index. The financial market, led by the top constituent **Royal Bank of Canada**, represents 28.6% of Canada's main stock market index.

Canadian tech stocks are also the high flyers in 2020. Prominent among them are **Shopify**, **Real Matters**, **Kinaxis**, and **Docebo**. These companies are leaders in their respective industries.

The information technology sector is the best-performing sector, with a +36.44% year-to-date gain. It's also outperforming the general market TSX (-4.12%). But if you were to pick a tech stock that promises massive gains soon, **Absolute Software** (TSX:ABT) is the one.

Industry leader

Absolute Software has fantastic growth potential, given the growing need of companies, organizations, and governments to have an undeletable endpoint defence platform. Cybercriminals and malicious actors are continually taking advantage of or exploiting security gaps in enterprise software.

This \$563.21 million company develops and provides cloud-based endpoint visibility and control platform for the management and security of computing devices, applications, and data. Absolute's endpoint security solutions cater to governments and industries such as education, health, financial, and professional services.

Absolute Software has more than 40 industry-leading security and productivity applications. G2, the world's leading business solution review platform, recently awarded Absolute a Leader in the Summer 2020 Grid Report for Endpoint Management.

Furthermore, the company will indeed thrive in the era of distance learning and remote work. Potential investors must know that Absolute Software is a dividend stock. The current yield is a modest 2.34%. It's time to take a position while the stock is trading at less than \$15 per share.

Excellent choices

The weight of information technology stocks in the TSX is not outsized compared to the American counterparts. However, the sector can influence or drive the general market. Investors have excellent choices like Absolute Software.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

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