



Buy Palantir Stock or This 1 TSX Name?

Description

Canadian investors are unlikely to have come across **Palantir Technologies** ([NYSE:PLTR](#)) before. But the about-to-debut data-mining business is starting to get U.S. tech investors' mouths watering. Sidestepping the traditional means of going public, Palantir looks set to float its existing shares in a direct listing. According to the [Wall Street Journal](#), shares could start at US\$10, shaking out at a market valuation of around US\$22 billion.

Overvaluation versus fresh momentum

Jim Cramer calls Palantir a buy at the right price. Palantir has its detractors, however. From concerns over profitability to the use of its software, the unknowns may outweigh the knowns in this scenario. Investors who have been procrastinating due to overvaluation may want to bet on the devil they know, rather than the devil they don't. Names like **Apple**, while expensive, are both tangible and familiar to most people, for instance.

Of course, newly listed and established tech stocks alike could find themselves swimming in shark-infested waters this fall, Palantir included. From **Docebo** to **Dye & Durham**, the thesis for holding overvalued tech stocks is starting to weaken. Indeed, the [September tech stock selloff](#) should serve as a reminder to tech investors that hype and global catastrophes are a dangerous combination. Focusing on price is key, therefore. But the story has to be compelling, too.

Investing in expensive tech stocks for their products is one thing. Investing in them for their sudden, wild momentum is another. And both could be in for a rough end to 2020. Consider the potential for a second wave of the coronavirus and its attendant lockdowns to further impact the economy. Or consider a contested outcome to the U.S. election in November. Throw in turbulence in oil prices, and the outlook is decidedly frothy.

The third way of tech stock investing

Of course, as with many things in life, there are more than just two options. Tech investors scratching

their heads at overvalued names may find fresh players on the field appealing. But the rash of IPOs in the tech space in the latter half of this year are already displaying dangerous valuations. So, what about that third option? Tech stocks come in a range of flavours, after all — and the safest of them is vanilla.

“Vanilla” tech stocks include such names as **Constellation Software** ([TSX:CSU](#)). While this name satisfies the digitalization growth trend popularized by a locked-down civilization, it has avoided getting run too far by bulls during the pandemic. It’s still popular, but its share price growth year over year is more in line with low-volatility plays such as **CN Rail**. Accessing markets from communications to credit, Constellation is super diversified.

The customized software gig is also likely to outlast the pandemic, making Constellation a rare buy-and-hold name in the speculative tech space. In fact, there’s a surprisingly defensive backbone to this stock, afforded not only from its business diversification, but also its broad geographical reach. Constellation is a truly international play that spans North and South America, Europe, Australia, and Africa.

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