



Warning: 2 Tech Stocks to Sell as Pandemic Winners Turn to Losers

Description

The COVID-19-resilient stocks have enriched many investors that stood by them throughout the year. I've been urging investors to back up the truck on select pandemic-resilient tech stocks that stood to actually benefit from the crisis but sold off during the 2020 market crash anyway. With Mr. Market finally turning his back against the biggest tech winners of the first three quarters, I think now is as good a time as any to trim your exposure to your winners as you look to add to your COVID-19 losers.

The **Pfizer** vaccine breakthrough came at a point when nobody expected it. The vaccine is reported 90% effective, far greater than expectations that called for an approximately 70% effective vaccine. As we learn more about the breakthrough vaccine, the light at the end of the tunnel will stand to become even brighter.

As I've mentioned in prior pieces, few things in this world are less predictable than biology and that a breakthrough like the Pfizer vaccine that we learned about Monday could have happened at any time. With more vaccines in the pipeline, it's increasingly likely that the pandemic will conclude sooner rather than later. As such, investors should prepare for the post-pandemic environment just as they did for the COVID era.

Shopify's 2020 win streak may be over

In [prior pieces](#), I've urged investors to ditch their biggest pandemic winners like **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) before a vaccine breakthrough had a chance to be announced.

"With the broader markets on the retreat once again, I'd be willing to bet that shares of Shopify could continue to lead the charge lower and would encourage dip buyers to be cautious with the name, even after the latest blowout quarter, which, while applaud-worthy was still not enough to allow Shopify stock to rally in the face of tremendous weakness in the broader markets." I [wrote](#).

After the recent dip in shares, Shopify stock still trades at a lofty 49.4 times sales multiple. The stock could easily get cut in half and still be more expensive than your average TSX growth play. Given Shopify's pandemic tailwinds are likely to fade in the new year, the stage could be set for a bleak

quarter that could spark a vicious sell-off, given many investors have likely grown accustomed to non-stop blowout quarters.

I'm still bullish on the longer-term story but think that patient investors will have a much better entry point in as little as a few weeks.

Kinaxis: Another pandemic beneficiary that's overdue for a pullback

The coronavirus crisis has decimated the supply chain of many firms. **Kinaxis** ([TSX:KXS](#)) and its supply-chain management software was in high demand, as firms looked to bring their operations into order amid profound disruptions.

As one of the tech stocks riding high on pandemic tailwinds, Kinaxis rocketed nearly 150% from its March trough to its August peak. As things inch closer to normalcy, Kinaxis is due to suffer from diminishing tailwinds. Investors will have to reset their expectations, and the decline could have the potential to be brutal, especially if we're in the early stages of a broader rotation out of pandemic-resilient tech and into COVID-hit value.

I'm still bullish on Kinaxis's long-term outlook but would encourage investors to wait for shares to cool off, as they're still too hot at 20 times sales.

Fool Aditya Ragunath thinks Kinaxis is a SaaS stock to [buy](#) on the dip, citing the firm's expected growth rates are high. It's such high-growth expectations that lead me to believe that the stock is a sell before Kinaxis's weakening pandemic tailwinds have a chance to weigh down a future quarter.

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2. TSX:KXS (Kinaxis Inc.)
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