



TSX Rallies to Record High! Best Time to Make Millions From Stocks

Description

The Canadian stock market is continuing to set fresh record highs in 2021. On Monday morning, the **S&P/TSX Composite Index** rose by well over 1% to post a fresh all-time high near 18,596 — higher than its previous record high near 18,580 that it posted in February. It saw a minor profit booking later in the session, and at 1:15 PM ET, it retraced to 18,550 — still up 0.9% for the day. While most stocks are continuing to inch up amid the [broader market rally](#), some high-flying tech stocks recently saw a sharp sell-off in the last few weeks. This gives investors another opportunity to buy these fundamentally strong tech stocks cheap. Let's take a closer look.

The market rally 2021 continues

The onset of the COVID-19 pandemic triggered a massive market sell-off in the first quarter of 2020. Nonetheless, the pandemic-related restrictions boosted the demand for many tech companies' products and services. Higher demand triggered a buying spree in the shares of such companies — including the Canadian e-commerce giant **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and the enterprise software company **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)). It was the key reason why Shopify stock rose by nearly 180%, while Lightspeed stock posted over 150% gains in 2020. By comparison, the TSX Composite benchmark ended the year with slightly more than 2% gains.

The rising economic activity, recovering gasoline prices, and improving consumer confidence is boosting investors' sentiments and helping the market post fresh record highs in 2021. While some tech stocks might have seen sharp correction lately, the rally in these stocks might resume soon. Let me explain why.

Tech companies are seeing massive growth

To put it into perspective, Shopify's revenue [surged](#) by 86% to US\$2.9 billion in 2020. The company reported a US\$491 million adjusted net profit for the year against only \$34 million profit in 2019. More importantly, this Ottawa-based e-commerce firm's profitability significantly improved last year. In 2020, its adjusted net profit margin expanded to 16.8% — enormously high compared to just 2.2% in the

previous year. An impressive 96% YoY (year-over-year) growth in its gross merchandise volume was one of the key reasons helping Shopify post stunning financial results in 2020.

Similarly, the demand for Lightspeed POS's omnichannel commerce-enabling software solutions grew sharply during the COVID phase. In its latest quarter ended December 2020, the company reported a 79% jump in its revenue to US\$57.6 million. It was also much better compared to analysts' consensus revenue estimate of US\$50.2 million. Despite the pandemic-related challenges, Lightspeed's management remained focused on expanding customer locations. As a result, the company's customer locations have increased by nearly 74% in the last year. In the December quarter, its software and payments segment revenue registered an impressive 85% YoY growth while its gross profit jumped 54%.

Tech stocks might continue to rally

Some analysts expect the demand for Lightspeed's and Shopify's offerings to normalize as the global pandemic gradually subsides in the coming quarters. During the COVID-19 shutdown phase, many small- to medium-sized businesses learned the importance of improving their online presence and adopting new technology. Most such businesses that recently subscribed to Shopify's e-commerce services and Lightspeed's software solutions might prefer to stick with them. That's why I expect these companies' sales growth rate to remain much stronger than expected in the coming quarters. This major growth factor could keep there is stock soaring in 2021 and beyond.

Foolish takeaway

When some amazing growth stocks are falling, you should consider it as an opportunity to buy them cheap. As the TSX continues to make new record highs in 2021, you may want to benefit from it instead of just watching it from the outside. If you buy some great tech stocks like Shopify and Lightspeed cheap when they are falling, they might help make millions from the market in the long term.

CATEGORY

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3. Stocks for Beginners
4. Tech Stocks

TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:LSPD (Lightspeed Commerce)
4. TSX:SHOP (Shopify Inc.)

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