



Buy the Dip and Sell the Rally: 2 Canadian Stocks to Buy Right Now

Description

This month, the stock market completes an entire year since the pandemic crash. Remembering the market crash, you may think, "If only I had kept my cool and bought these two tech stocks, I would have made thousands." Such is the mystery of the human brain. You know you have to buy the dip and sell the rally, yet you sell the dip as there is panic which clouds your judgment. And you buy the rally because the fear of missing out, as is popularly called FOMO on social media, instills confidence in a wrong judgment.

The FOMO mistake of buying the rally

For instance, **Air Canada** stock has made a new pandemic high of \$28.69, and people are jumping into the rally to grab a piece of the profit. Even though Warren Buffett and many analysts, including Motley Fool, don't recommend the stock on fundamental grounds, people are buying the rally because of FOMO.

At the same time, people are selling **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Lightspeed POS** ([TSX:LSPD](#))([NYSE:LSPD](#)). These are the stocks that rallied to unprecedented levels last year. They are now seeing a correction as investors cash out.

If you look at it this way, Air Canada's revenue fell 70% in [2020](#), but its stock surged 34% post-earnings, whereas Shopify's and Lightspeed's revenue surged 85% and 99%, respectively, but their stock fell more than 25% post-earnings. This is because the stock price reflects the future earnings potential of a company. The 2020 earnings are reflected in their 2020 stock price momentum.

Two Canadian stocks to buy at the dip

Last year, Shopify was a stock that every investor sought no matter what the price. And it was not just the bullish sentiment but also the fundamentals that pushed the stock from \$450 to \$1,800. The company posted three consecutive quarters of 95% revenue growth. This growth came as retailers flocked in to open their online store on the Shopify platform.

Similar was the case with Lightspeed, even though the omnichannel platform helps manage physical stores. The company saw volatility in revenue as there was a huge uptake and churn rate among restaurant customers because of a nationwide lockdown. But the retail sector was stronger than ever, which more than offset the volatility in the restaurant sector.

There is no denying that the pandemic was a catalyst for the e-commerce sector where it gave a glimpse of the future of retail. People ordered everything from a mobile phone to a toothbrush online. As the economy recovers, the catalyst effect is fading, and the growth is [returning to normalcy](#). What's normal for Shopify and Lightspeed is 50-55% revenue growth.

But what you don't see is that the pandemic broke the biggest barrier to growth, acceptance of the technology. The grocers or the mom-and-pop stores who were reluctant to this whole online thing have come to accept and embrace it. This will help the two to grow their revenue further.

The current stock price momentum

The way the market dynamics work, the stock market rebalances itself in the long term, and only the one with strong business and fundamentals wins. Now is the time to get over your fears and look at the long-term picture.

Shopify's and Lightspeed's stocks are seeing a correction as the investors are pricing in the March seasonal weakness. Moreover, investors are cashing out profits to pay taxes. The Relative Strength Index (RSI) is in the 35-37 range, hinting that others are selling. The sell-mode has brought their stock price below their 50-day moving average. The dip has corrected their valuation to 58-50 times its sales per share.

As the March seasonality fades, consumers will return to shopping, and that will be the next chapter in Lightspeed's and Shopify's rallies. If you are waiting for the stock to bottom out, you might even lose out on the current dip. Embrace the rule of buying the dip and buy these two high-growth tech stocks while their valuation is still low.

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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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Author

pujatayal

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