1 Canadian Cloud Stock That Could Take Off in July 2021

Description

We're all about sound long-term investing and fundamental analysis here at The Motley Fool Canada. That said, I believe it can't hurt to have a closer look at the technical picture to see if it's also in alignment with a name that's believed to be trading at a considerable discount to its intrinsic value.

While I may not be a technician, I think it's worthwhile to have another tool in the toolbox to help you do better than the market averages. Like most other things in investing, technical indicators or patterns are not to be taken as gospel! I view them purely as a complement to an already thorough discounted cash flow analysis rather than a substitute.

Without further ado, let's have a closer look at one timely TSX stock that looks well equipped for a big upside correction over the coming weeks and months.

A big move up ahead for this Canadian cloud stock?

Enter **Kinaxis** (TSX:KXS), a wonderful Canadian cloud company that I've been pounding the table on for most of 2021. For those unfamiliar with the name, it's a firm behind supply-chain management software and other value-adding solutions that better help firms tame their supply chains and operations.

The stock had a magnificent 2020 thanks to the supply chain disruptions brought forth by the pandemic. The bearish thesis is that once the pandemic ends, so too will Kinaxis's big boost. I couldn't disagree more with this viewpoint. While Kinaxis, like most other pandemic beneficiaries, could lose a step once we make a sustained move into normalcy, I don't think demand for its invaluable offering will wane — or, at least, not for long.

Kinaxis stock: High growth for a low price?

You see, supply chains are very complicated beasts. In prior pieces, I've stated that supply/demand imbalances were likely to persist for far longer than most expected. Moreover, I believe that lower rates could be the rising tide that lifts all boats.

At the time of writing, shares of Kinaxis trade at a mere 15.4 times sales. That's ridiculously low for an early-to-mid-stage growth company with a solid and improving Software-as-a-Service (SaaS) platform. Compared to the cloud stocks south of the border, Kinaxis looks like an incredible bargain. From a fundamental standpoint, shares look incredibly undervalued. But when will the name begin correcting to the upside? I think the bottom is in, and the rebound is already entering its second inning.

Back to the technical picture

Shares are currently sitting up 25% from their approximate $130 bottom — hit after a nearly 40% correction in the stock. A "double bottom" technical pattern looks to have formed. If it comes to fruition, the stock could be on the cusp of a 20-25% bounce over the intermediate term. While a timely indicator, I certainly wouldn't look to buy short-dated call options, as technical patterns can, at times, fail.

That said, if you consider yourself a venturesome long-term investor who's looking for growth at a discount, I think there hasn't been a more timely opportunity to punch your ticket into Kinaxis stock. Shares are still off 23% from the top — a level that could be tested in late summer.

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